

109TH CONGRESS
1ST SESSION

S. 1780

To amend the Internal Revenue Code of 1986 to provide incentives for charitable contributions by individuals and businesses, to improve the public disclosure of activities of exempt organizations, and to enhance the ability of low-income Americans to gain financial security by building assets, and for other purposes.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 28, 2005

Mr. SANTORUM (for himself, Mr. LIEBERMAN, Mr. FRIST, Mr. HATCH, Mr. LUGAR, Mr. SMITH, Mr. INOUE, Mr. COLEMAN, and Mr. BUNNING) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide incentives for charitable contributions by individuals and businesses, to improve the public disclosure of activities of exempt organizations, and to enhance the ability of low-income Americans to gain financial security by building assets, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE;**

2 **TABLE OF CONTENTS.**

3 (a) SHORT TITLE.—This title may be cited as the
4 “CARE Act of 2005”.

5 (b) AMENDMENT OF 1986 CODE.—Except as other-
6 wise expressly provided, whenever in this title an amend-
7 ment or repeal is expressed in terms of an amendment
8 to, or repeal of, a section or other provision, the reference
9 shall be considered to be made to a section or other provi-
10 sion of the Internal Revenue Code of 1986.

11 (c) TABLE OF CONTENTS.—The table of contents for
12 this Act is as follows:

Sec. 1. Short title; amendment of 1986 Code; table of contents.

TITLE I—CHARITABLE GIVING INCENTIVES

Sec. 101. Deduction for portion of charitable contributions to be allowed to in-
dividuals who do not itemize deductions.

Sec. 102. Tax-free distributions from individual retirement accounts for chari-
table purposes.

Sec. 103. Modification of charitable deduction for contributions of food inven-
tories.

Sec. 104. Modification of charitable deduction for contributions of book inven-
tories.

Sec. 105. Modifications to encourage contributions of capital gain real property
made for conservation purposes.

Sec. 106. Exclusion of 25 percent of gain on sales or exchanges of land or
water interests to eligible entities for conservation purposes.

Sec. 107. Adjustment to basis of S corporation stock for certain charitable con-
tributions.

Sec. 108. Enhanced deduction for charitable contribution of literary, musical,
artistic, and scholarly compositions.

Sec. 109. Mileage reimbursements to charitable volunteers excluded from gross
income.

Sec. 110. Extension of enhanced deduction for inventory to include public
schools.

**TITLE II—PROPOSALS IMPROVING THE OVERSIGHT OF TAX-
EXEMPT ORGANIZATIONS**

Sec. 201. Disclosure of written determinations.

- Sec. 202. Disclosure of Internet web site and name under which organization does business.
- Sec. 203. Modification to reporting capital transactions.
- Sec. 204. Disclosure that Form 990 is publicly available.
- Sec. 205. Disclosure to State officials of proposed actions related to section 501(c) organizations.
- Sec. 206. Expansion of penalties to preparers of Form 990.
- Sec. 207. Notification requirement for entities not currently required to file.

TITLE III—OTHER CHARITABLE AND EXEMPT ORGANIZATION PROVISIONS

- Sec. 301. Modification of excise tax on unrelated business taxable income of charitable remainder trusts.
- Sec. 302. Modifications to section 512(b)(13).
- Sec. 303. Simplification of lobbying expenditure limitation.
- Sec. 304. Expedited review process for certain tax-exemption applications.
- Sec. 305. Clarification of definition of church tax inquiry.
- Sec. 306. Expansion of declaratory judgment remedy to tax-exempt organizations.
- Sec. 307. Definition of convention or association of churches.
- Sec. 308. Payments by charitable organizations to victims of war on terrorism and families of astronauts killed in the line of duty.
- Sec. 309. Modification of scholarship foundation rules.
- Sec. 310. Treatment of certain hospital support organizations as qualified organizations for purposes of determining acquisition indebtedness.
- Sec. 311. Matching grants to low-income taxpayer clinics for return preparation.
- Sec. 312. Exemption of qualified 501(c)(3) bonds for nursing homes from Federal guarantee prohibitions.
- Sec. 313. Excise taxes exemption for blood collector organizations.

TITLE IV—SOCIAL SERVICES BLOCK GRANT

- Sec. 401. Restoration of funds for the Social Services Block Grant.
- Sec. 402. Restoration of authority to transfer up to 10 percent of TANF funds to the Social Services Block Grant.
- Sec. 403. Requirement to submit annual report on State activities.

TITLE V—INDIVIDUAL DEVELOPMENT ACCOUNTS

- Sec. 501. Short title.
- Sec. 502. Purposes.
- Sec. 503. Definitions.
- Sec. 504. Structure and administration of qualified individual development account programs.
- Sec. 505. Procedures for opening and maintaining an individual development account and qualifying for matching funds.
- Sec. 506. Deposits by qualified individual development account programs.
- Sec. 507. Withdrawal procedures.
- Sec. 508. Certification and termination of qualified individual development account programs.
- Sec. 509. Reporting, monitoring, and evaluation.
- Sec. 510. Authorization of appropriations.
- Sec. 511. Matching funds for individual development accounts provided through a tax credit for qualified financial institutions.

Sec. 512. Account funds disregarded for purposes of certain means-tested Federal programs.

TITLE VI—MANAGEMENT OF EXEMPT ORGANIZATIONS

Sec. 601. Authorization of appropriations.

TITLE VII—COMPASSION CAPITAL FUND

Sec. 701. Support for nonprofit community-based organizations; Department of Health and Human Services.

Sec. 702. Support for nonprofit community-based organizations; Corporation for National and Community Service.

Sec. 703. Support for nonprofit community-based organizations; Department of Justice.

Sec. 704. Support for nonprofit community-based organizations; Department of Housing and Urban Development.

Sec. 705. Coordination.

TITLE VIII—MATERNITY GROUP HOMES

Sec. 801. Maternity group homes.

1 **TITLE I—CHARITABLE GIVING** 2 **INCENTIVES**

3 **SEC. 101. DEDUCTION FOR PORTION OF CHARITABLE CON-** 4 **TRIBUTIONS TO BE ALLOWED TO INDIVID-** 5 **UALS WHO DO NOT ITEMIZE DEDUCTIONS.**

6 (a) IN GENERAL.—Section 170 (relating to chari-
7 table, etc., contributions and gifts) is amended by redesign-
8 nating subsection (o) as subsection (p) and by inserting
9 after subsection (n) the following new subsection:

10 “(o) DEDUCTION FOR INDIVIDUALS NOT ITEMIZING
11 DEDUCTIONS.—In the case of an individual who does not
12 itemize deductions for any taxable year, there shall be
13 taken into account as a direct charitable deduction under
14 section 63 an amount equal to the amount allowable under
15 subsection (a) for the taxable year for cash contributions,
16 to the extent that such contributions exceed \$250 (\$500

1 in the case of a joint return) but do not exceed \$500
 2 (\$1,000 in the case of a joint return).”.

3 (b) DIRECT CHARITABLE DEDUCTION.—

4 (1) IN GENERAL.—Subsection (b) of section 63
 5 (defining taxable income) is amended by striking
 6 “and” at the end of paragraph (1), by striking the
 7 period at the end of paragraph (2) and inserting “,
 8 and”, and by adding at the end the following new
 9 paragraph:

10 “(3) the direct charitable deduction.”.

11 (2) DEFINITION.—Section 63 is amended by re-
 12 designating subsection (g) as subsection (h) and by
 13 inserting after subsection (f) the following new sub-
 14 section:

15 “(g) DIRECT CHARITABLE DEDUCTION.—For pur-
 16 poses of this section, the term ‘direct charitable deduction’
 17 means that portion of the amount allowable under section
 18 170(a) which is taken as a direct charitable deduction for
 19 the taxable year under section 170(o).”.

20 (3) CONFORMING AMENDMENT.—Subsection (d)
 21 of section 63 is amended by striking “and” at the
 22 end of paragraph (1), by striking the period at the
 23 end of paragraph (2) and inserting “, and”, and by
 24 adding at the end the following new paragraph:

25 “(3) the direct charitable deduction.”.

1 (c) STUDY.—

2 (1) IN GENERAL.—The Secretary of the Treas-
 3 ury shall study the effect of the amendments made
 4 by this section on increased charitable giving and
 5 taxpayer compliance, including a comparison of tax-
 6 payer compliance between taxpayers who itemize
 7 their charitable contributions and taxpayers who
 8 claim a direct charitable deduction.

9 (2) REPORT.—By not later than December 31,
 10 2006, the Secretary of the Treasury shall report on
 11 the study required under paragraph (1) to the Com-
 12 mittee on Finance of the Senate and the Committee
 13 on Ways and Means of the House of Representa-
 14 tives.

15 (d) EFFECTIVE DATE.—The amendments made by
 16 this section shall apply to taxable years beginning after
 17 December 31, 2004, and before January 1, 2007.

18 **SEC. 102. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RE-**
 19 **TIREMENT ACCOUNTS FOR CHARITABLE**
 20 **PURPOSES.**

21 (a) IN GENERAL.—Subsection (d) of section 408 (re-
 22 lating to individual retirement accounts) is amended by
 23 adding at the end the following new paragraph:

24 “(8) DISTRIBUTIONS FOR CHARITABLE PUR-
 25 POSES.—

1 “(A) IN GENERAL.—No amount shall be
2 includible in gross income by reason of a quali-
3 fied charitable distribution.

4 “(B) QUALIFIED CHARITABLE DISTRIBUTION.—For purposes of this paragraph, the
5 term ‘qualified charitable distribution’ means
6 any distribution from an individual retirement
7 account—
8

9 “(i) which is made directly by the
10 trustee—

11 “(I) to an organization described
12 in section 170(c), or

13 “(II) to a split-interest entity,
14 and

15 “(ii) which is made on or after—

16 “(I) in the case of any distribu-
17 tion described in clause (i)(I), the
18 date that the individual for whose
19 benefit the account is maintained has
20 attained age 70½, and

21 “(II) in the case of any distribu-
22 tion described in clause (i)(II), the
23 date that such individual has attained
24 age 59½.

A distribution shall be treated as a qualified charitable distribution only to the extent that the distribution would be includible in gross income without regard to subparagraph (A) and, in the case of a distribution to a split-interest entity, only if no person holds an income interest in the amounts in the split-interest entity attributable to such distribution other than one or more of the following: the individual for whose benefit such account is maintained, the spouse of such individual, or any organization described in section 170(c).

“(C) CONTRIBUTIONS MUST BE OTHERWISE DEDUCTIBLE.—For purposes of this paragraph—

“(i) DIRECT CONTRIBUTIONS.—A distribution to an organization described in section 170(c) shall be treated as a qualified charitable distribution only if a deduction for the entire distribution would be allowable under section 170 (determined without regard to subsection (b) thereof and this paragraph).

“(ii) SPLIT-INTEREST GIFTS.—A distribution to a split-interest entity shall be

1 treated as a qualified charitable distribu-
2 tion only if a deduction for the entire value
3 of the interest in the distribution for the
4 use of an organization described in section
5 170(c) would be allowable under section
6 170 (determined without regard to sub-
7 section (b) thereof and this paragraph).

8 “(D) APPLICATION OF SECTION 72.—Not-
9 withstanding section 72, in determining the ex-
10 tent to which a distribution is a qualified chari-
11 table distribution, the entire amount of the dis-
12 tribution shall be treated as includible in gross
13 income without regard to subparagraph (A) to
14 the extent that such amount does not exceed
15 the aggregate amount which would have been so
16 includible if all amounts were distributed from
17 all individual retirement accounts treated as 1
18 contract under paragraph (2)(A) for purposes
19 of determining the inclusion on such distribu-
20 tion under section 72. Proper adjustments shall
21 be made in applying section 72 to other dis-
22 tributions in such taxable year and subsequent
23 taxable years.

24 “(E) SPECIAL RULES FOR SPLIT-INTEREST
25 ENTITIES.—

1 “(i) CHARITABLE REMAINDER
2 TRUSTS.—Notwithstanding section 664(b),
3 distributions made from a trust described
4 in subparagraph (G)(i) shall be treated as
5 ordinary income in the hands of the bene-
6 ficiary to whom is paid the annuity de-
7 scribed in section 664(d)(1)(A) or the pay-
8 ment described in section 664(d)(2)(A).

9 “(ii) POOLED INCOME FUNDS.—No
10 amount shall be includible in the gross in-
11 come of a pooled income fund (as defined
12 in subparagraph (G)(ii)) by reason of a
13 qualified charitable distribution to such
14 fund, and all distributions from the fund
15 which are attributable to qualified chari-
16 table distributions shall be treated as ordi-
17 nary income to the beneficiary.

18 “(iii) CHARITABLE GIFT ANNU-
19 ITIES.—Qualified charitable distributions
20 made for a charitable gift annuity shall not
21 be treated as an investment in the con-
22 tract.

23 “(F) DENIAL OF DEDUCTION.—Qualified
24 charitable distributions shall not be taken into

1 account in determining the deduction under sec-
 2 tion 170.

3 “(G) SPLIT-INTEREST ENTITY DEFINED.—
 4 For purposes of this paragraph, the term ‘split-
 5 interest entity’ means—

6 “(i) a charitable remainder annuity
 7 trust or a charitable remainder unitrust
 8 (as such terms are defined in section
 9 664(d)) which must be funded exclusively
 10 by qualified charitable distributions,

11 “(ii) a pooled income fund (as defined
 12 in section 642(c)(5)), but only if the fund
 13 accounts separately for amounts attrib-
 14 utable to qualified charitable distributions,
 15 and

16 “(iii) a charitable gift annuity (as de-
 17 fined in section 501(m)(5)).”.

18 (b) MODIFICATIONS RELATING TO INFORMATION RE-
 19 TURNS BY CERTAIN TRUSTS.—

20 (1) RETURNS.—Section 6034 (relating to re-
 21 turns by trusts described in section 4947(a)(2) or
 22 claiming charitable deductions under section 642(c))
 23 is amended to read as follows:

1 **“SEC. 6034. RETURNS BY TRUSTS DESCRIBED IN SECTION**
2 **4947(a)(2) OR CLAIMING CHARITABLE DEDUC-**
3 **TIONS UNDER SECTION 642(c).**

4 “(a) TRUSTS DESCRIBED IN SECTION 4947(a)(2).—
5 Every trust described in section 4947(a)(2) shall furnish
6 such information with respect to the taxable year as the
7 Secretary may by forms or regulations require.

8 “(b) TRUSTS CLAIMING A CHARITABLE DEDUCTION
9 UNDER SECTION 642(c).—

10 “(1) IN GENERAL.—Every trust not required to
11 file a return under subsection (a) but claiming a de-
12 duction under section 642(c) for the taxable year
13 shall furnish such information with respect to such
14 taxable year as the Secretary may by forms or regu-
15 lations prescribe, including—

16 “(A) the amount of the deduction taken
17 under section 642(c) within such year,

18 “(B) the amount paid out within such year
19 which represents amounts for which deductions
20 under section 642(c) have been taken in prior
21 years,

22 “(C) the amount for which such deductions
23 have been taken in prior years but which has
24 not been paid out at the beginning of such year,

1 “(D) the amount paid out of principal in
 2 the current and prior years for the purposes de-
 3 scribed in section 642(c),

4 “(E) the total income of the trust within
 5 such year and the expenses attributable thereto,
 6 and

7 “(F) a balance sheet showing the assets, li-
 8 abilities, and net worth of the trust as of the
 9 beginning of such year.

10 “(2) EXCEPTIONS.—Paragraph (1) shall not
 11 apply to a trust for any taxable year if—

12 “(A) all the net income for such year, de-
 13 termined under the applicable principles of the
 14 law of trusts, is required to be distributed cur-
 15 rently to the beneficiaries, or

16 “(B) the trust is described in section
 17 4947(a)(1).”.

18 (2) INCREASE IN PENALTY RELATING TO FIL-
 19 ING OF INFORMATION RETURN BY SPLIT-INTEREST
 20 TRUSTS.—Paragraph (2) of section 6652(c) (relating
 21 to returns by exempt organizations and by certain
 22 trusts) is amended by adding at the end the fol-
 23 lowing new subparagraph:

24 “(C) SPLIT-INTEREST TRUSTS.—In the
 25 case of a trust which is required to file a return

1 under section 6034(a), subparagraphs (A) and
2 (B) of this paragraph shall not apply and para-
3 graph (1) shall apply in the same manner as if
4 such return were required under section 6033,
5 except that—

6 “(i) the 5 percent limitation in the
7 second sentence of paragraph (1)(A) shall
8 not apply,

9 “(ii) in the case of any trust with
10 gross income in excess of \$250,000, the
11 first sentence of paragraph (1)(A) shall be
12 applied by substituting ‘\$100’ for ‘\$20’,
13 and the second sentence thereof shall be
14 applied by substituting ‘\$50,000’ for
15 ‘\$10,000’, and

16 “(iii) the third sentence of paragraph
17 (1)(A) shall be disregarded.

18 In addition to any penalty imposed on the trust
19 pursuant to this subparagraph, if the person re-
20 quired to file such return knowingly fails to file
21 the return, such penalty shall also be imposed
22 on such person who shall be personally liable
23 for such penalty.”.

24 (3) CONFIDENTIALITY OF NONCHARITABLE
25 BENEFICIARIES.—Subsection (b) of section 6104

(relating to inspection of annual information returns) is amended by adding at the end the following new sentence: “In the case of a trust which is required to file a return under section 6034(a), this subsection shall not apply to information regarding beneficiaries which are not organizations described in section 170(c).”.

(c) EFFECTIVE DATES.—

(1) SUBSECTION (a).—The amendment made by subsection (a) shall apply to distributions—

(A) described in section 408(d)(8)(B)(i)(I) of the Internal Revenue Code of 1986, as added by this section, made after the date of the enactment of this Act, and

(B) described in section 408(d)(8)(B)(i)(II) of such Code, as so added, made after December 31, 2004.

(2) SUBSECTION (b).—The amendments made by subsection (b) shall apply to returns for taxable years beginning after December 31, 2004.

SEC. 103. MODIFICATION OF CHARITABLE DEDUCTION FOR CONTRIBUTIONS OF FOOD INVENTORIES.

(a) IN GENERAL.—Subparagraph (C) of section 170(e)(3) (relating to special rule for certain contributions of inventory and other property), as added by section 305

1 of the Katrina Emergency Tax Relief Act of 2005, is
2 amended to read as follows:

3 “(C) SPECIAL RULE FOR CONTRIBUTIONS
4 OF FOOD INVENTORY.—

5 “(i) GENERAL RULE.—In the case of
6 a charitable contribution of food from any
7 trade or business of the taxpayer, this
8 paragraph shall be applied—

9 “(I) without regard to whether
10 the contribution is made by a C cor-
11 poration, and

12 “(II) only to food that is appar-
13 ently wholesome food.

14 “(ii) LIMITATION.—In the case of a
15 taxpayer other than a C corporation, the
16 aggregate amount of such contributions for
17 any taxable year which may be taken into
18 account under this section shall not exceed
19 10 percent of the taxpayer’s aggregate net
20 income for such taxable year from all
21 trades or businesses from which such con-
22 tributions were made for such year, com-
23 puted without regard to this section.

24 “(iii) LIMITATION ON REDUCTION.—
25 In the case of any such contribution, not-

1 withstanding subparagraph (B), the
2 amount of the reduction determined under
3 paragraph (1)(A) shall not exceed the
4 amount by which the fair market value of
5 the apparently wholesome food exceeds
6 twice the basis of such food.

7 “(iv) DETERMINATION OF BASIS.—If
8 a taxpayer—

9 “(I) does not account for inven-
10 tories under section 471, and

11 “(II) is not required to capitalize
12 indirect costs under section 263A,
13 the taxpayer may elect, solely for purposes
14 of subparagraph (B), to treat the basis of
15 any apparently wholesome food as being
16 equal to 25 percent of the fair market
17 value of such food.

18 “(v) DETERMINATION OF FAIR MAR-
19 KET VALUE.—In the case of any such con-
20 tribution of apparently wholesome food
21 which, solely by reason of internal stand-
22 ards of the taxpayer or lack of market,
23 cannot or will not be sold, the fair market
24 value of such contribution shall be deter-
25 mined—

1 “(i) without regard to such inter-
 2 nal standards or such lack of market
 3 and

4 “(ii) by taking into account the
 5 price at which the same or substan-
 6 tially the same food items (as to both
 7 type and quality) are sold by the tax-
 8 payer at the time of the contribution
 9 (or, if not so sold at such time, in the
 10 recent past).

11 “(vi) APPARENTLY WHOLESOME
 12 FOOD.—For purposes of this subpara-
 13 graph, the term ‘apparently wholesome
 14 food’ has the meaning given to such term
 15 by section 22(b)(2) of the Bill Emerson
 16 Good Samaritan Food Donation Act (42
 17 U.S.C. 1791(b)(2)), as in effect on the
 18 date of the enactment of this subpara-
 19 graph.”.

20 (b) EFFECTIVE DATE.—The amendment made by
 21 this section shall apply to contributions made after the
 22 date of the enactment of this Act.

1 **SEC. 104. MODIFICATION OF CHARITABLE DEDUCTION FOR**
 2 **CONTRIBUTIONS OF BOOK INVENTORIES.**

3 (a) IN GENERAL.—Subparagraph (D) of section
 4 170(e)(3) (relating to special rule for certain contributions
 5 of inventory and other property), as added by section 305
 6 of the Katrina Emergency Tax Relief Act of 2005, is
 7 amended to read as follows:

8 “(D) SPECIAL RULE FOR CONTRIBUTIONS
 9 OF BOOK INVENTORY FOR EDUCATIONAL PUR-
 10 POSES.—

11 “(i) CONTRIBUTIONS OF BOOK INVEN-
 12 TORY.—In determining whether a qualified
 13 book contribution is a qualified contribu-
 14 tion, subparagraph (A) shall be applied
 15 without regard to whether—

16 “(I) the donee is an organization
 17 described in the matter preceding
 18 clause (i) of subparagraph (A), and

19 “(II) the property is to be used
 20 by the donee solely for the care of the
 21 ill, the needy, or infants.

22 “(ii) AMOUNT OF REDUCTION.—Not-
 23 withstanding subparagraph (B), the
 24 amount of the reduction determined under
 25 paragraph (1)(A) shall not exceed the
 26 amount by which the fair market value of

the contributed property (as determined by the taxpayer using a bona fide published market price for such book) exceeds twice the basis of such property.

“(iii) QUALIFIED BOOK CONTRIBUTION.—For purposes of this paragraph, the term ‘qualified book contribution’ means a charitable contribution of books, but only if the requirements of clauses (iv) and (v) are met.

“(iv) IDENTITY OF DONEE.—The requirement of this clause is met if the contribution is to an organization—

“(I) described in subclause (I) or (III) of paragraph (6)(B)(i), or

“(II) described in section 501(c)(3) and exempt from tax under section 501(a) (other than a private foundation, as defined in section 509(a), which is not an operating foundation, as defined in section 4942(j)(3)), which is organized primarily to make books available to the general public at no cost or to operate a literacy program.

1 “(v) CERTIFICATION BY DONEE.—The
2 requirement of this clause is met if, in ad-
3 dition to the certifications required by sub-
4 paragraph (A) (as modified by this sub-
5 paragraph), the donee certifies in writing
6 that—

7 “(I) the books are suitable, in
8 terms of currency, content, and quan-
9 tity, for use in the donee’s educational
10 programs, and

11 “(II) the donee will use the books
12 in its educational programs.

13 “(vi) BONA FIDE PUBLISHED MARKET
14 PRICE.—For purposes of this subpara-
15 graph, the term ‘bona fide published mar-
16 ket price’ means, with respect to any book,
17 a price—

18 “(I) determined using the same
19 printing and edition,

20 “(II) determined in the usual
21 market in which such a book has been
22 customarily sold by the taxpayer, and

23 “(III) for which the taxpayer can
24 demonstrate to the satisfaction of the
25 Secretary that the taxpayer custom-

1 arily sold such books in arm’s length
 2 transactions within 7 years preceding
 3 the contribution of such a book.”.

4 (b) EFFECTIVE DATE.—The amendment made by
 5 this section shall apply to contributions made after the
 6 date of the enactment of this Act.

7 **SEC. 105. MODIFICATIONS TO ENCOURAGE CONTRIBU-**
 8 **TIONS OF CAPITAL GAIN REAL PROPERTY**
 9 **MADE FOR CONSERVATION PURPOSES.**

10 (a) IN GENERAL.—Section 170(h) (relating to quali-
 11 fied conservation contribution) is amended by adding at
 12 the end the following new paragraph:

13 “(7) ADDITIONAL INCENTIVES FOR QUALIFIED
 14 CONSERVATION CONTRIBUTIONS.—

15 “(A) IN GENERAL.—In the case of any
 16 qualified conservation contribution (as defined
 17 in paragraph (1)) made by an individual—

18 “(i) subparagraph (C) of subsection
 19 (b)(1) shall not apply,

20 “(ii) except as provided in subpara-
 21 graph (B)(i), subsections (b)(1)(A) and
 22 (d)(1) shall be applied separately with re-
 23 spect to such contributions by treating ref-
 24 erences to 50 percent of the taxpayer’s
 25 contribution base as references to the

amount of such base reduced by the
amount of other contributions allowable
under subsection (b)(1)(A), and

“(iii) subparagraph (A) of subsection
(d)(1) shall be applied—

“(I) by substituting ‘15 suc-
ceeding taxable years’ for ‘5 suc-
ceeding taxable years’, and

“(II) by applying clause (ii) to
each of the 15 succeeding taxable
years.

“(B) SPECIAL RULES FOR ELIGIBLE FARM-
ERS AND RANCHERS.—

“(i) IN GENERAL.—In the case of any
such contributions by a taxpayer who is an
eligible farmer or rancher for the taxable
year in which such contributions are
made—

“(I) if the taxpayer is an indi-
vidual, subsections (b)(1)(A) and
(d)(1) shall be applied separately with
respect to such contributions by sub-
stituting ‘the taxpayer’s contribution
base reduced by the amount of other
contributions allowable under sub-

1 section (b)(1)(A)' for '50 percent of
 2 the taxpayer's contribution base' each
 3 place it appears, and

4 “(II) if the taxpayer is a corpora-
 5 tion, subsections (b)(2) and (d)(2)
 6 shall be applied separately with re-
 7 spect to such contributions, subsection
 8 (b)(2) shall be applied with respect to
 9 such contributions as if such sub-
 10 section did not contain the words '10
 11 percent of' and as if subparagraph
 12 (A) thereof read 'the deduction under
 13 this section for qualified conservation
 14 contributions', and rules similar to the
 15 rules of subparagraph (A)(iii) shall
 16 apply for purposes of subsection
 17 (d)(2).

18 “(ii) DEFINITION.—For purposes of
 19 clause (i), the term 'eligible farmer or
 20 rancher' means a taxpayer whose gross in-
 21 come from the trade or business of farm-
 22 ing (within the meaning of section
 23 2032A(e)(5)) is at least 51 percent of the
 24 taxpayer's gross income for the taxable
 25 year, and, in the case of a C corporation,

1 the stock of which is not publicly traded on
 2 a recognized exchange.”.

3 (b) EFFECTIVE DATE.—The amendment made by
 4 this section shall apply to contributions made after the
 5 date of the enactment of this Act.

6 **SEC. 106. EXCLUSION OF 25 PERCENT OF GAIN ON SALES**
 7 **OR EXCHANGES OF LAND OR WATER INTER-**
 8 **ESTS TO ELIGIBLE ENTITIES FOR CONSERVA-**
 9 **TION PURPOSES.**

10 (a) IN GENERAL.—Part III of subchapter B of chap-
 11 ter 1 (relating to items specifically excluded from gross
 12 income) is amended by inserting after section 121 the fol-
 13 lowing new section:

14 **“SEC. 121A. 25-PERCENT EXCLUSION OF GAIN ON SALES OR**
 15 **EXCHANGES OF LAND OR WATER INTERESTS**
 16 **TO ELIGIBLE ENTITIES FOR CONSERVATION**
 17 **PURPOSES.**

18 “(a) EXCLUSION.—Gross income shall not include 25
 19 percent of the qualifying gain from a conservation sale of
 20 a long-held qualifying land or water interest.

21 “(b) QUALIFYING GAIN.—For purposes of this sec-
 22 tion—

23 “(1) IN GENERAL.—The term ‘qualifying gain’
 24 means any gain which would be recognized as long-
 25 term capital gain, reduced by the amount of any

1 long-term capital gain attributable to disqualified
2 improvements.

3 “(2) DISQUALIFIED IMPROVEMENT.—For pur-
4 poses of paragraph (1), the term ‘disqualified im-
5 provement’ means any building, structure, or other
6 improvement, other than—

7 “(A) any improvement which is described
8 in section 175(c)(1), determined—

9 “(i) without regard to the require-
10 ments that the taxpayer be engaged in
11 farming, and

12 “(ii) without taking into account sub-
13 paragraphs (A) and (B) thereof, or

14 “(B) any improvement which the Secretary
15 determines directly furthers conservation pur-
16 poses.

17 “(3) SPECIAL RULE FOR SALES OF STOCK.—If
18 the long-held qualifying land or water interest is 1
19 or more shares of stock in a qualifying land or water
20 corporation, the qualifying gain is equal to the lesser
21 of—

22 “(A) the qualifying gain determined under
23 paragraph (1), or

24 “(B) the product of—

1 “(i) the percentage of such corpora-
 2 tion’s stock which is transferred by the
 3 taxpayer, times

4 “(ii) the amount which would have
 5 been the qualifying gain (determined under
 6 paragraph (1)) if there had been a con-
 7 servation sale by such corporation of all of
 8 its interests in the land and water for a
 9 price equal to the product of the fair mar-
 10 ket value of such interests times the ratio
 11 of—

12 “(I) the proceeds of the conserva-
 13 tion sale of the stock, to

14 “(II) the fair market value of the
 15 stock which was the subject of the
 16 conservation sale.

17 “(c) CONSERVATION SALE.—For purposes of this
 18 section, the term ‘conservation sale’ means a sale or ex-
 19 change which meets the following requirements:

20 “(1) TRANSFEREE IS AN ELIGIBLE ENTITY.—

21 The transferee of the long-held qualifying land or
 22 water interest is an eligible entity.

23 “(2) QUALIFYING LETTER OF INTENT RE-
 24 QUIRED.—At the time of the sale or exchange, such

1 transferee provides the taxpayer with a qualifying
2 letter of intent.

3 “(3) NONAPPLICATION TO CERTAIN SALES.—
4 The sale or exchange is not made pursuant to an
5 order of condemnation or eminent domain.

6 “(4) CONTROLLING INTEREST IN STOCK SALE
7 REQUIRED.—In the case of the sale or exchange of
8 stock in a qualifying land or water corporation, at
9 the end of the taxpayer’s taxable year in which such
10 sale or exchange occurs, the transferee’s ownership
11 of stock in such corporation meets the requirements
12 of section 1504(a)(2) (determined by substituting
13 ‘90 percent’ for ‘80 percent’ each place it appears).

14 “(d) LONG-HELD QUALIFYING LAND OR WATER IN-
15 TEREST.—For purposes of this section—

16 “(1) IN GENERAL.—The term ‘long-held quali-
17 fying land or water interest’ means any qualifying
18 land or water interest owned by the taxpayer or a
19 member of the taxpayer’s family (as defined in sec-
20 tion 2032A(e)(2)) at all times during the 5-year pe-
21 riod ending on the date of the sale.

22 “(2) QUALIFYING LAND OR WATER INTER-
23 EST.—

“(A) IN GENERAL.—The term ‘qualifying land or water interest’ means a real property interest which constitutes—

“(i) a taxpayer’s entire interest in land,

“(ii) a taxpayer’s entire interest in water rights,

“(iii) a qualified real property interest (as defined in section 170(h)(2)), or

“(iv) stock in a qualifying land or water corporation.

“(B) ENTIRE INTEREST.—For purposes of clause (i) or (ii) of subparagraph (A)—

“(i) a partial interest in land or water is not a taxpayer’s entire interest if an interest in land or water was divided in order to create such partial interest in order to avoid the requirements of such clause or section 170(f)(3)(A), and

“(ii) a taxpayer’s entire interest in certain land does not fail to satisfy subparagraph (A)(i) solely because the taxpayer has retained an interest in other land, even if the other land is contiguous with such certain land and was acquired by

1 the taxpayer along with such certain land
2 in a single conveyance.

3 “(e) OTHER DEFINITIONS.—For purposes of this
4 section—

5 “(1) ELIGIBLE ENTITY.—The term ‘eligible en-
6 tity’ means—

7 “(A) a governmental unit referred to in
8 section 170(c)(1), or an agency or department
9 thereof operated primarily for 1 or more of the
10 conservation purposes specified in clause (i),
11 (ii), or (iii) of section 170(h)(4)(A), or

12 “(B) an entity which is—

13 “(i) described in section
14 170(b)(1)(A)(vi) or section 170(h)(3)(B),
15 and

16 “(ii) organized and at all times oper-
17 ated primarily for 1 or more of the con-
18 servation purposes specified in clause (i),
19 (ii), or (iii) of section 170(h)(4)(A).

20 “(2) QUALIFYING LETTER OF INTENT.—The
21 term ‘qualifying letter of intent’ means a written let-
22 ter of intent which includes the following statement:
23 ‘The transferee’s intent is that this acquisition will
24 serve 1 or more of the conservation purposes speci-
25 fied in clause (i), (ii), or (iii) of section 170(h)(4)(A)

1 of the Internal Revenue Code of 1986, that the
 2 transferee's use of the property so acquired will be
 3 consistent with section 170(h)(5) of such Code, and
 4 that the use of the property will continue to be con-
 5 sistent with such section, even if ownership or pos-
 6 session of such property is subsequently transferred
 7 to another person.'

8 “(3) QUALIFYING LAND OR WATER CORPORA-
 9 TION.—The term ‘qualifying land or water corpora-
 10 tion’ means a C corporation (as defined in section
 11 1361(a)(2)) if, as of the date of the conservation
 12 sale—

13 “(A) the fair market value of the corpora-
 14 tion's interests in land or water held by the cor-
 15 poration at all times during the preceding 5
 16 years equals or exceeds 90 percent of the fair
 17 market value of all of such corporation's assets,
 18 and

19 “(B) not more than 50 percent of the total
 20 fair market value of such corporation's assets
 21 consists of water rights or infrastructure re-
 22 lated to the delivery of water, or both.

23 “(f) TAX ON SUBSEQUENT TRANSFERS OR REMOV-
 24 ALS OF CONSERVATION RESTRICTIONS.—

1 “(1) IN GENERAL.—A tax is hereby imposed on
2 any subsequent—

3 “(A) transfer by an eligible entity of own-
4 ership or possession, whether by sale, exchange,
5 or lease, of property acquired directly or indi-
6 rectly in—

7 “(i) a conservation sale described in
8 subsection (a), or

9 “(ii) a transfer described in clause (i),
10 (ii), or (iii) of paragraph (4)(A), or

11 “(B) removal of a conservation restriction
12 contained in an instrument of conveyance of
13 such property.

14 “(2) AMOUNT OF TAX.—The amount of tax im-
15 posed by paragraph (1) on any transfer or removal
16 shall be equal to the sum of—

17 “(A) either—

18 “(i) 20 percent of the fair market
19 value (determined at the time of the trans-
20 fer) of the property the ownership or pos-
21 session of which is transferred, or

22 “(ii) 20 percent of the fair market
23 value (determined at the time immediately
24 after the removal) of the property upon

1 which the conservation restriction was re-
 2 moved, plus

3 “(B) the product of—

4 “(i) the highest rate of tax specified
 5 in section 11, times

6 “(ii) any gain or income realized by
 7 the transferor or person removing such re-
 8 striction as a result of the transfer or re-
 9 moval.

10 “(3) LIABILITY.—The tax imposed by para-
 11 graph (1) shall be paid—

12 “(A) on any transfer, by the transferor,
 13 and

14 “(B) on any removal of a conservation re-
 15 striction contained in an instrument of convey-
 16 ance, by the person removing such restriction.

17 “(4) RELIEF FROM LIABILITY.—The person
 18 (otherwise liable for any tax imposed by paragraph
 19 (1)) shall be relieved of liability for the tax imposed
 20 by paragraph (1)—

21 “(A) with respect to any transfer if—

22 “(i) the transferee is an eligible entity
 23 which provides such person, at the time of
 24 transfer, a qualifying letter of intent,

1 “(ii) in any case where the transferee
2 is not an eligible entity, it is established to
3 the satisfaction of the Secretary, that the
4 transfer of ownership or possession, as the
5 case may be, will be consistent with section
6 170(h)(5), and the transferee provides
7 such person, at the time of transfer, a
8 qualifying letter of intent, or

9 “(iii) tax has previously been paid
10 under this subsection as a result of a prior
11 transfer of ownership or possession of the
12 same property, or

13 “(B) with respect to any removal of a con-
14 servation restriction contained in an instrument
15 of conveyance, if it is established to the satis-
16 faction of the Secretary that the retention of
17 the restriction was impracticable or impossible
18 and the proceeds continue to be used in a man-
19 ner consistent with 1 or more of the conserva-
20 tion purposes specified in clause (i), (ii), or (iii)
21 of section 170(h)(4)(A).

22 “(5) ADMINISTRATIVE PROVISIONS.—For pur-
23 poses of subtitle F, the taxes imposed by this sub-
24 section shall be treated as excise taxes with respect

1 to which the deficiency procedures of such subtitle
2 apply.

3 “(6) REPORTING.—The Secretary may require
4 such reporting as may be necessary or appropriate
5 to further the purpose under this section that any
6 conservation use be in perpetuity.”.

7 (b) CLERICAL AMENDMENT.—The table of sections
8 for part III of subchapter B of chapter 1 is amended by
9 inserting after the item relating to section 121 the fol-
10 lowing new item:

“Sec. 121A. 25-percent exclusion of gain on sales or exchanges
of land or water interests to eligible entities for
conservation purposes.”.

11 (c) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to sales or exchanges occurring
13 after the date of the enactment of this Act.

14 **SEC. 107. ADJUSTMENT TO BASIS OF S CORPORATION**
15 **STOCK FOR CERTAIN CHARITABLE CON-**
16 **TRIBUTIONS.**

17 (a) IN GENERAL.—Paragraph (2) of section 1367(a)
18 (relating to adjustments to basis of stock of shareholders,
19 etc.) is amended by adding at the end the following new
20 flush sentence:

21 “The decrease under subparagraph (B) by reason of
22 a charitable contribution (as defined in section
23 170(c)) of property shall be the amount equal to the

1 shareholder's pro rata share of the adjusted basis of
 2 such property.”.

3 (b) EFFECTIVE DATE.—The amendment made by
 4 this section shall apply to contributions made after the
 5 date of the enactment of this Act.

6 **SEC. 108. ENHANCED DEDUCTION FOR CHARITABLE CON-**
 7 **TRIBUTION OF LITERARY, MUSICAL, ARTIS-**
 8 **TIC, AND SCHOLARLY COMPOSITIONS.**

9 (a) IN GENERAL.—Subsection (e) of section 170 (re-
 10 lating to certain contributions of ordinary income and cap-
 11 ital gain property), as amended by this Act, is amended
 12 by adding at the end the following new paragraph:

13 “(8) SPECIAL RULE FOR CERTAIN CONTRIBU-
 14 TIONS OF LITERARY, MUSICAL, ARTISTIC, OR SCHOL-
 15 ARLY COMPOSITIONS.—

16 “(A) IN GENERAL.—In the case of a quali-
 17 fied artistic charitable contribution—

18 “(i) the amount of such contribution
 19 taken into account under this section shall
 20 be the fair market value of the property
 21 contributed (determined at the time of
 22 such contribution), and

23 “(ii) no reduction in the amount of
 24 such contribution shall be made under
 25 paragraph (1).

“(B) QUALIFIED ARTISTIC CHARITABLE CONTRIBUTION.—For purposes of this paragraph, the term ‘qualified artistic charitable contribution’ means a charitable contribution of any literary, musical, artistic, or scholarly composition, or similar property, or the copyright thereon (or both), but only if—

“(i) such property was created by the personal efforts of the taxpayer making such contribution no less than 18 months prior to such contribution,

“(ii) the taxpayer—

“(I) has received a qualified appraisal of the fair market value of such property in accordance with the regulations under this section, and

“(II) attaches to the taxpayer’s income tax return for the taxable year in which such contribution was made a copy of such appraisal,

“(iii) the donee is an organization described in subsection (b)(1)(A),

“(iv) the use of such property by the donee is related to the purpose or function constituting the basis for the donee’s ex-

1 emption under section 501 (or, in the case
2 of a governmental unit, to any purpose or
3 function described under section 501(c)),

4 “(v) the taxpayer receives from the
5 donee a written statement representing
6 that the donee’s use of the property will be
7 in accordance with the provisions of clause
8 (iv), and

9 “(vi) the written appraisal referred to
10 in clause (ii) includes evidence of the ex-
11 tent (if any) to which property created by
12 the personal efforts of the taxpayer and of
13 the same type as the donated property is
14 or has been—

15 “(I) owned, maintained, and dis-
16 played by organizations described in
17 subsection (b)(1)(A), and

18 “(II) sold to or exchanged by
19 persons other than the taxpayer,
20 donee, or any related person (as de-
21 fined in section 465(b)(3)(C)).

22 “(C) MAXIMUM DOLLAR LIMITATION; NO
23 CARRYOVER OF INCREASED DEDUCTION.—The
24 increase in the deduction under this section by
25 reason of this paragraph for any taxable year—

1 “(i) shall not exceed the artistic ad-
 2 justed gross income of the taxpayer for
 3 such taxable year, and

4 “(ii) shall not be taken into account in
 5 determining the amount which may be car-
 6 ried from such taxable year under sub-
 7 section (d).

8 “(D) ARTISTIC ADJUSTED GROSS IN-
 9 COME.—For purposes of this paragraph, the
 10 term ‘artistic adjusted gross income’ means
 11 that portion of the adjusted gross income of the
 12 taxpayer for the taxable year attributable to—

13 “(i) income from the sale or use of
 14 property created by the personal efforts of
 15 the taxpayer which is of the same type as
 16 the donated property, and

17 “(ii) income from teaching, lecturing,
 18 performing, or similar activity with respect
 19 to property described in clause (i).

20 “(E) PARAGRAPH NOT TO APPLY TO CER-
 21 TAIN CONTRIBUTIONS.—Subparagraph (A) shall
 22 not apply to any charitable contribution of any
 23 letter, memorandum, or similar property which
 24 was written, prepared, or produced by or for an
 25 individual while the individual is an officer or

employee of any person (including any government agency or instrumentality) unless such letter, memorandum, or similar property is entirely personal.

“(F) COPYRIGHT TREATED AS SEPARATE PROPERTY FOR PARTIAL INTEREST RULE.—In the case of a qualified artistic charitable contribution, the tangible literary, musical, artistic, or scholarly composition, or similar property and the copyright on such work shall be treated as separate properties for purposes of this paragraph and subsection (f)(3).”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions made after the date of the enactment of this Act.

SEC. 109. MILEAGE REIMBURSEMENTS TO CHARITABLE VOLUNTEERS EXCLUDED FROM GROSS INCOME.

(a) IN GENERAL.—Part III of subchapter B of chapter 1 is amended by inserting after section 139A the following new section:

“SEC. 139B. MILEAGE REIMBURSEMENTS TO CHARITABLE VOLUNTEERS.

“(a) IN GENERAL.—Gross income of an individual does not include amounts received, from an organization

1 described in section 170(c), as reimbursement of operating
 2 expenses with respect to use of a passenger automobile
 3 for the benefit of such organization. The preceding sen-
 4 tence shall apply only to the extent that the expenses
 5 which are reimbursed would be deductible under this chap-
 6 ter if section 274(d) were applied—

7 “(1) by using the standard business mileage
 8 rate established under such section, and

9 “(2) as if the individual were an employee of an
 10 organization not described in section 170(c).

11 “(b) APPLICATION TO VOLUNTEER SERVICES
 12 ONLY.—Subsection (a) shall not apply with respect to any
 13 expenses relating to the performance of services for com-
 14 pensation.

15 “(c) NO DOUBLE BENEFIT.—A taxpayer may not
 16 claim a deduction or credit under any other provision of
 17 this title with respect to the expenses under subsection (a).

18 “(d) EXEMPTION FROM REPORTING REQUIRE-
 19 MENTS.—Section 6041 shall not apply with respect to re-
 20 imbursements excluded from income under subsection
 21 (a).”.

22 (b) CLERICAL AMENDMENT.—The table of sections
 23 for part III of subchapter B of chapter 1 is amended by
 24 inserting after the item relating to section 139A the fol-
 25 lowing new item:

“Sec. 139B. Mileage reimbursements to charitable volunteers.”.

1 (c) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to taxable years beginning after
 3 the date of the enactment of this Act.

4 **SEC. 110. EXTENSION OF ENHANCED DEDUCTION FOR IN-**
 5 **VENTORY TO INCLUDE PUBLIC SCHOOLS.**

6 (a) IN GENERAL.—Subparagraph (A) of section
 7 170(e)(3) (relating to special rule for certain contributions
 8 of inventory and other property) is amended by striking
 9 “to an organization which is described in” and all that
 10 follows through the end of clause (i) and inserting “to a
 11 qualified organization, but only if—

12 “(i) the property is to be used by the
 13 donee solely for the care of the ill, the
 14 needy, or infants and, in the case of—

15 “(I) an organization described in
 16 section 501(c)(3) (other than an orga-
 17 nization described in subclause (II)),
 18 the use of the property by the donee
 19 is related to the purpose or function
 20 constituting the basis for its exemp-
 21 tion under section 501, and

22 “(II) an organization described
 23 in subsection (b)(1)(A)(ii), the use of
 24 the property by the donee is related to
 25 educational purposes and such prop-

1 erty is not computer technology or
 2 equipment (as defined in paragraph
 3 (6)(F)(i));”.

4 (b) QUALIFIED ORGANIZATION.—Paragraph (3) of
 5 section 170(e) of such Code, as amended by this Act, is
 6 amended by redesignating subparagraph (D) as subpara-
 7 graph (E) and by inserting after subparagraph (C) the
 8 following new subparagraph:

9 “(D) QUALIFIED ORGANIZATION.—For
 10 purposes of this paragraph, the term ‘qualified
 11 organization’ means—

12 “(i) an organization which is de-
 13 scribed in section 501(c)(3) and is exempt
 14 under section 501(a) (other than a private
 15 foundation, as defined in section 509(a),
 16 which is not an operating foundation, as
 17 defined in section 4942(j)(3)), and

18 “(ii) an educational organization de-
 19 scribed in subsection (b)(1)(A)(ii).”.

20 (c) EFFECTIVE DATE.—The amendments made by
 21 this section shall apply to contributions made after De-
 22 cember 31, 2004.

1 **TITLE II—PROPOSALS IMPROV-**
 2 **ING THE OVERSIGHT OF TAX-**
 3 **EXEMPT ORGANIZATIONS**

4 **SEC. 201. DISCLOSURE OF WRITTEN DETERMINATIONS.**

5 (a) IN GENERAL.—Section 6110(l) (relating to sec-
 6 tion not to apply) is amended by striking all matter before
 7 subparagraph (A) of paragraph (2) and inserting the fol-
 8 lowing:

9 “(l) SECTION NOT TO APPLY.—

10 “(1) IN GENERAL.—This section shall not apply
 11 to any matter to which section 6104 or 6105 ap-
 12 plies, except that this section shall apply to any writ-
 13 ten determination and related background file docu-
 14 ment relating to an organization described under
 15 subsection (c) or (d) of section 501 (including any
 16 written determination denying an organization tax-
 17 exempt status under such subsection) or a political
 18 organization described in section 527 which is not
 19 required to be disclosed by section 6104(a)(1)(A).

20 “(2) ADDITIONAL MATTERS.—This section shall
 21 not apply to any—”.

22 (b) EFFECTIVE DATE.—The amendment made by
 23 this section shall apply to written determinations issued
 24 after the date of the enactment of this Act.

1 **SEC. 202. DISCLOSURE OF INTERNET WEB SITE AND NAME**
 2 **UNDER WHICH ORGANIZATION DOES BUSI-**
 3 **NESS.**

4 (a) IN GENERAL.—Section 6033 (relating to returns
 5 by exempt organizations) is amended by redesignating
 6 subsection (h) as subsection (i) and by inserting after sub-
 7 section (g) the following new subsection:

8 “(h) DISCLOSURE OF NAME UNDER WHICH ORGANI-
 9 ZATION DOES BUSINESS AND ITS INTERNET WEB
 10 SITE.—Any organization which is subject to the require-
 11 ments of subsection (a) shall include on the return re-
 12 quired under subsection (a)—

13 “(1) any name under which such organization
 14 operates or does business, and

15 “(2) the Internet web site address (if any) of
 16 such organization.”.

17 (b) EFFECTIVE DATE.—The amendments made by
 18 this section shall apply to returns filed after December 31,
 19 2004.

20 **SEC. 203. MODIFICATION TO REPORTING CAPITAL TRANS-**
 21 **ACTIONS.**

22 (a) REQUIREMENT OF SUMMARY REPORT.—Section
 23 6033(c) (relating to additional provisions relating to pri-
 24 vate foundations) is amended by adding at the end the
 25 following new sentence: “Any information included in an
 26 annual return regarding the gain or loss from the sale or

1 other disposition of stock or securities which are listed on
2 an established securities market which is required to be
3 furnished in order to calculate the tax on net investment
4 income shall also be reported in summary form with a no-
5 tice that detailed information is available upon request by
6 the public.”.

7 (b) DISCLOSURE REQUIREMENT.—Section 6104(b)
8 (relating to inspection of annual information returns), as
9 amended by this Act, is amended by adding at the end
10 the following new sentence: “With respect to any private
11 foundation (as defined in section 509(a)), any information
12 regarding the gain or loss from the sale or other disposi-
13 tion of stock or securities which are listed on an estab-
14 lished securities market which is required to be furnished
15 in order to calculate the tax on net investment income but
16 which is not in summary form is not required to be made
17 available to the public under this subsection except upon
18 the explicit request by a member of the public to the Sec-
19 retary.”.

20 (c) PUBLIC INSPECTION REQUIREMENT.—Section
21 6104(d) (relating to public inspection of certain annual
22 returns, applications for exemptions, and notices of sta-
23 tus) is amended—

1 (1) by redesignating paragraph (6) (relating to
2 disclosure of reports by Internal Revenue Service) as
3 paragraph (7),

4 (2) by redesignating paragraph (6) (relating to
5 application to nonexempt charitable trusts and non-
6 exempt private foundations) as paragraph (8), and

7 (3) by adding at the end the following new
8 paragraph:

9 “(9) APPLICATION TO PRIVATE FOUNDATION
10 CAPITAL TRANSACTION INFORMATION.—With re-
11 spect to any private foundation (as defined in sec-
12 tion 509(a)), any information regarding the gain or
13 loss from the sale or other disposition of stock or se-
14 curities which are listed on an established securities
15 market which is required to be furnished in order to
16 calculate the tax on net investment income but
17 which is not in summary form is not required to be
18 made available to the public under this subsection
19 except upon the explicit request by a member of the
20 public to the private foundation in the form and
21 manner of a request described in paragraph
22 (1)(B).”.

23 (d) EFFECTIVE DATE.—The amendments made by
24 this section shall apply to returns filed after December 31,
25 2004.

1 **SEC. 204. DISCLOSURE THAT FORM 990 IS PUBLICLY AVAIL-**
 2 **ABLE.**

3 (a) IN GENERAL.—The Commissioner of the Internal
 4 Revenue shall notify the public in appropriate publications
 5 or other materials of the extent to which an exempt orga-
 6 nization’s Form 990, Form 990–EZ, or Form 990–PF is
 7 publicly available.

8 (b) EFFECTIVE DATE.—The amendments made by
 9 this section shall apply to publications or other materials
 10 issued or revised after the date of the enactment of this
 11 Act.

12 **SEC. 205. DISCLOSURE TO STATE OFFICIALS OF PROPOSED**
 13 **ACTIONS RELATED TO SECTION 501(c) ORGA-**
 14 **NIZATIONS.**

15 (a) IN GENERAL.—Subsection (c) of section 6104 is
 16 amended by striking paragraph (2) and inserting the fol-
 17 lowing new paragraphs:

18 “(2) DISCLOSURE OF PROPOSED ACTIONS RE-
 19 LATED TO CHARITABLE ORGANIZATIONS.—

20 “(A) SPECIFIC NOTIFICATIONS.—In the
 21 case of an organization to which paragraph (1)
 22 applies, the Secretary may disclose to the ap-
 23 propriate State officer—

24 “(i) a notice of proposed refusal to
 25 recognize such organization as an organi-
 26 zation described in section 501(c)(3) or a

1 notice of proposed revocation of such orga-
 2 nization's recognition as an organization
 3 exempt from taxation,

4 “(ii) the issuance of a letter of pro-
 5 posed deficiency of tax imposed under sec-
 6 tion 507 or chapter 41 or 42, and

7 “(iii) the names, addresses, and tax-
 8 payer identification numbers of organiza-
 9 tions which have applied for recognition as
 10 organizations described in section
 11 501(c)(3).

12 “(B) ADDITIONAL DISCLOSURES.—Returns
 13 and return information of organizations with
 14 respect to which information is disclosed under
 15 subparagraph (A) may be made available for in-
 16 spection by or disclosed to an appropriate State
 17 officer.

18 “(C) PROCEDURES FOR DISCLOSURE.—In-
 19 formation may be inspected or disclosed under
 20 subparagraph (A) or (B) only—

21 “(i) upon written request by an ap-
 22 propriate State officer, and

23 “(ii) for the purpose of, and only to
 24 the extent necessary in, the administration

1 of State laws regulating such organiza-
2 tions.

3 Such information may only be inspected by or
4 disclosed to a person other than the appropriate
5 State officer if such person is an officer or em-
6 ployee of the State and is designated by the ap-
7 propriate State official to receive the returns or
8 return information under this paragraph on be-
9 half of the appropriate State officer.

10 “(D) DISCLOSURES OTHER THAN BY RE-
11 QUEST.—The Secretary may make available for
12 inspection or disclose returns and return infor-
13 mation of an organization to which paragraph
14 (1) applies to an appropriate State officer of
15 any State if the Secretary determines that such
16 inspection or disclosure may facilitate the reso-
17 lution of Federal or State issues relating to the
18 tax-exempt status of such organization.

19 “(3) DISCLOSURE WITH RESPECT TO CERTAIN
20 OTHER EXEMPT ORGANIZATIONS.—Upon written re-
21 quest by an appropriate State officer, the Secretary
22 may make available for inspection or disclosure re-
23 turns and return information of an organization de-
24 scribed in paragraph (2), (4), (6), (7), (8), (10), or
25 (13) of section 501(c) for the purpose of, and to the

1 extent necessary in, the administration of State laws
2 regulating the solicitation or administration of the
3 charitable funds or charitable assets of such organi-
4 zations. Such information may only be inspected by
5 or disclosed to a person other than the appropriate
6 State officer if such person is an officer or employee
7 of the State and is designated by the appropriate
8 State official to receive the returns or return infor-
9 mation under this paragraph on behalf of the appro-
10 priate State officer.

11 “(4) USE IN CIVIL JUDICIAL AND ADMINISTRA-
12 TIVE PROCEEDINGS.—Returns and return informa-
13 tion disclosed pursuant to this subsection may be
14 disclosed in civil administrative and civil judicial pro-
15 ceedings pertaining to the enforcement of State laws
16 regulating such organizations in a manner pre-
17 scribed by the Secretary similar to that for tax ad-
18 ministration proceedings under section 6103(h)(4).

19 “(5) NO DISCLOSURE IF IMPAIRMENT.—Re-
20 turns and return information shall not be disclosed
21 under this subsection, or in any proceeding described
22 in paragraph (4), to the extent that the Secretary
23 determines that such disclosure would seriously im-
24 pair Federal tax administration.

1 “(6) DEFINITIONS.—For purposes of this sub-
2 section—

3 “(A) RETURN AND RETURN INFORMA-
4 TION.—The terms ‘return’ and ‘return informa-
5 tion’ have the respective meanings given to such
6 terms by section 6103(b).

7 “(B) APPROPRIATE STATE OFFICER.—The
8 term ‘appropriate State officer’ means—

9 “(i) the State attorney general,

10 “(ii) in the case of an organization to
11 which paragraph (1) applies, any other
12 State official charged with overseeing orga-
13 nizations of the type described in section
14 501(c)(3), and

15 “(iii) in the case of an organization to
16 which paragraph (3) applies, the head of
17 an agency designated by the State attorney
18 general as having primary responsibility
19 for overseeing the solicitation of funds for
20 charitable purposes.”.

21 (b) CONFORMING AMENDMENTS.—

22 (1) Subparagraph (A) of section 6103(p)(3) is
23 amended by inserting “and section 6104(c)” after
24 “section” in the first sentence.

1 (2) Paragraph (4) of section 6103(p) is amend-
2 ed—

3 (A) in the matter preceding subparagraph
4 (A), by inserting “, or any appropriate State of-
5 ficer (as defined in section 6104(c)),” before
6 “or any other person”,

7 (B) in subparagraph (F)(i), by inserting
8 “or any appropriate State officer (as defined in
9 section 6104(c)),” before “or any other per-
10 son”, and

11 (C) in the matter following subparagraph
12 (F), by inserting “, an appropriate State officer
13 (as defined in section 6104(c)),” after “includ-
14 ing an agency” each place it appears.

15 (3) The heading for paragraph (1) of section
16 6104(c) is amended by inserting “FOR CHARITABLE
17 ORGANIZATIONS” after “RULE”.

18 (4) Paragraph (2) of section 7213(a) is amend-
19 ed by inserting “or under section 6104(c)” after
20 “6103”.

21 (5) Paragraph (2) of section 7213A(a) is
22 amended by inserting “or 6104(c)” after “6103”.

23 (6) Paragraph (2) of section 7431(a) is amend-
24 ed by inserting “(including any disclosure in viola-
25 tion of section 6104(c))” after “6103”.

1 (c) EFFECTIVE DATE.—The amendments made by
 2 this section shall take effect on the date of the enactment
 3 of this Act but shall not apply to requests made before
 4 such date.

5 **SEC. 206. EXPANSION OF PENALTIES TO PREPARERS OF**
 6 **FORM 990.**

7 (a) IN GENERAL.—Section 6695 (relating to other
 8 assessable penalties with respect to the preparation of in-
 9 come tax returns for other persons) is amended by adding
 10 at the end the following new subsections:

11 “(h) CERTAIN OMISSIONS AND MISREPRESENTA-
 12 TIONS.—

13 “(1) IN GENERAL.—Any person who prepares
 14 for compensation any return under section 6033 who
 15 omits or misrepresents any information with respect
 16 to such return which was known or should have been
 17 known by such person shall pay a penalty of \$250
 18 with respect to such return.

19 “(2) EXCEPTION FOR MINOR, INADVERTENT
 20 OMISSIONS.—Paragraph (1) shall not apply to
 21 minor, inadvertent omissions.

22 “(3) RULES FOR DETERMINING RETURN PRE-
 23 PARER.—For purposes of this subsection and sub-
 24 section (i), any reference to a person who prepares
 25 for compensation a return under section 6033—

1 “(A) shall include any person who employs
 2 1 or more persons to prepare for compensation
 3 a return under section 6033, and

4 “(B) shall not include any person who
 5 would be described in clause (i), (ii), (iii), or
 6 (iv) of section 7701(a)(36)(B) if such section
 7 referred to a return under section 6033.

8 “(i) WILLFUL OR RECKLESS CONDUCT.—

9 “(1) IN GENERAL.—Any person who prepares
 10 for compensation any return under section 6033 who
 11 recklessly or intentionally misrepresents any infor-
 12 mation or recklessly or intentionally disregards any
 13 rule or regulation with respect to such return shall
 14 pay a penalty of \$1,000 with respect to such return.

15 “(2) COORDINATION WITH OTHER PEN-
 16 ALTIES.—With respect to any return, the amount of
 17 the penalty payable by any person by reason of para-
 18 graph (1) shall be reduced by the amount of the
 19 penalty paid by such person by reason of subsection
 20 (h) or section 6694.”.

21 (b) CONFORMING AMENDMENTS.—

22 (1) The heading for section 6695 is amended by
 23 inserting “**AND OTHER**” after “**INCOME TAX**”.

24 (2) The item relating to section 6695 in the
 25 table of sections for part I of subchapter B of chap-

1 ter 68 is amended by inserting “and other” after
2 “income tax”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply with respect to documents pre-
5 pared after the date of the enactment of this Act.

6 **SEC. 207. NOTIFICATION REQUIREMENT FOR ENTITIES NOT**
7 **CURRENTLY REQUIRED TO FILE.**

8 (a) IN GENERAL.—Section 6033 (relating to returns
9 by exempt organizations), as amended by this Act, is
10 amended by redesignating subsection (i) as subsection (j)
11 and by inserting after subsection (h) the following new
12 subsection:

13 “(i) ADDITIONAL NOTIFICATION REQUIREMENTS.—
14 Any organization the gross receipts of which in any tax-
15 able year result in such organization being referred to in
16 subsection (a)(2)(A)(ii) or (a)(2)(B)—

17 “(1) shall furnish annually, at such time and in
18 such manner as the Secretary may by forms or regu-
19 lations prescribe, information setting forth—

20 “(A) the legal name of the organization,

21 “(B) any name under which such organiza-
22 tion operates or does business,

23 “(C) the organization’s mailing address
24 and Internet web site address (if any),

1 “(D) the organization’s taxpayer identifica-
2 tion number,

3 “(E) the name and address of a principal
4 officer, and

5 “(F) evidence of the continuing basis for
6 the organization’s exemption from the filing re-
7 quirements under subsection (a)(1), and

8 “(2) upon the termination of the existence of
9 the organization, shall furnish notice of such termi-
10 nation.”.

11 (b) LOSS OF EXEMPT STATUS FOR FAILURE TO
12 FILE RETURN OR NOTICE.—Section 6033 (relating to re-
13 turns by exempt organizations), as amended by subsection
14 (a), is amended by redesignating subsection (j) as sub-
15 section (k) and by inserting after subsection (i) the fol-
16 lowing new subsection:

17 “(j) LOSS OF EXEMPT STATUS FOR FAILURE TO
18 FILE RETURN OR NOTICE.—

19 “(1) IN GENERAL.—If an organization de-
20 scribed in subsection (a)(1) or (i) fails to file an an-
21 nual return or notice required under either sub-
22 section for 3 consecutive years, such organization’s
23 status as an organization exempt from tax under
24 section 501(a) shall be considered revoked on and
25 after the date set by the Secretary for the filing of

1 the third annual return or notice. The Secretary
 2 shall publish and maintain a list of any organization
 3 the status of which is so revoked.

4 “(2) APPLICATION NECESSARY FOR REINSTATE-
 5 MENT.—Any organization the tax-exempt status of
 6 which is revoked under paragraph (1) must apply in
 7 order to obtain reinstatement of such status regard-
 8 less of whether such organization was originally re-
 9 quired to make such an application.

10 “(3) RETROACTIVE REINSTATEMENT IF REA-
 11 SONABLE CAUSE SHOWN FOR FAILURE.—If upon ap-
 12 plication for reinstatement of status as an organiza-
 13 tion exempt from tax under section 501(a), an orga-
 14 nization described in paragraph (1) can show to the
 15 satisfaction of the Secretary evidence of reasonable
 16 cause for the failure described in such paragraph,
 17 the organization’s exempt status may, in the discre-
 18 tion of the Secretary, be reinstated effective from
 19 the date of the revocation under such paragraph.”.

20 (c) NO DECLARATORY JUDGMENT RELIEF.—Section
 21 7428(b) (relating to limitations) is amended by adding at
 22 the end the following new paragraph:

23 “(4) NONAPPLICATION FOR CERTAIN REVOCATIONS.—No action may be brought under this sec-
 24 TIONS.—No action may be brought under this sec-

1 tion with respect to any revocation of status de-
 2 scribed in section 6033(j)(1).”.

3 (d) NO INSPECTION REQUIREMENT.—Section
 4 6104(b) (relating to inspection of annual information re-
 5 turns) is amended by inserting “(other than subsection (i)
 6 thereof)” after “6033”.

7 (e) NO DISCLOSURE REQUIREMENT.—Section
 8 6104(d)(3) (relating to exceptions from disclosure require-
 9 ments) is amended by redesignating subparagraph (B) as
 10 subparagraph (C) and by inserting after subparagraph (A)
 11 the following new subparagraph:

12 “(B) NONDISCLOSURE OF ANNUAL NO-
 13 TICES.—Paragraph (1) shall not require the
 14 disclosure of any notice required under section
 15 6033(i).”.

16 (f) NO MONETARY PENALTY FOR FAILURE TO NO-
 17 TIFY.—Section 6652(c)(1) (relating to annual returns
 18 under section 6033 or 6012(a)(6)) is amended by adding
 19 at the end the following new subparagraph:

20 “(E) NO PENALTY FOR CERTAIN ANNUAL
 21 NOTICES.—This paragraph shall not apply with
 22 respect to any notice required under section
 23 6033(i).”.

24 (g) SECRETARIAL OUTREACH REQUIREMENTS.—

1 (1) NOTICE REQUIREMENT.—The Secretary of
2 the Treasury shall notify in a timely manner every
3 organization described in section 6033(i) of the In-
4 ternal Revenue Code of 1986 (as added by this sec-
5 tion) of the requirement under such section 6033(i)
6 and of the penalty established under section
7 6033(j)—

8 (A) by mail, in the case of any organiza-
9 tion the identity and address of which is in-
10 cluded in the list of exempt organizations main-
11 tained by the Secretary, and

12 (B) by Internet or other means of out-
13 reach, in the case of any other organization.

14 (2) LOSS OF STATUS PENALTY FOR FAILURE TO
15 FILE RETURN.—The Secretary of the Treasury shall
16 publicize in a timely manner in appropriate forms
17 and instructions and through other appropriate
18 means, the penalty established under section 6033(j)
19 of such Code for the failure to file a return under
20 section 6033(a)(1) of such Code.

21 (h) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to notices and returns with respect
23 to annual periods beginning after 2004.

1 **TITLE III—OTHER CHARITABLE**
 2 **AND EXEMPT ORGANIZATION**
 3 **PROVISIONS**

4 **SEC. 301. MODIFICATION OF EXCISE TAX ON UNRELATED**
 5 **BUSINESS TAXABLE INCOME OF CHARITABLE**
 6 **REMAINDER TRUSTS.**

7 (a) IN GENERAL.—Subsection (c) of section 664 (re-
 8 lating to exemption from income taxes) is amended to read
 9 as follows:

10 “(c) TAXATION OF TRUSTS.—

11 “(1) INCOME TAX.—A charitable remainder an-
 12 nuity trust and a charitable remainder unitrust
 13 shall, for any taxable year, not be subject to any tax
 14 imposed by this subtitle.

15 “(2) EXCISE TAX.—

16 “(A) IN GENERAL.—In the case of a chari-
 17 table remainder annuity trust or a charitable
 18 remainder unitrust which has unrelated busi-
 19 ness taxable income (within the meaning of sec-
 20 tion 512, determined as if part III of sub-
 21 chapter F applied to such trust) for a taxable
 22 year, there is hereby imposed on such trust or
 23 unitrust an excise tax equal to the amount of
 24 such unrelated business taxable income.

1 “(B) CERTAIN RULES TO APPLY.—The tax
 2 imposed by subparagraph (A) shall be treated
 3 as imposed by chapter 42 for purposes of this
 4 title other than subchapter E of chapter 42.

5 “(C) TAX COURT PROCEEDINGS.—For pur-
 6 poses of this paragraph, the references in sec-
 7 tion 6212(c)(1) to section 4940 shall be deemed
 8 to include references to this paragraph.”.

9 (b) EFFECTIVE DATE.—The amendment made by
 10 this section shall apply to taxable years beginning after
 11 December 31, 2004.

12 **SEC. 302. MODIFICATIONS TO SECTION 512(b)(13).**

13 (a) IN GENERAL.—Paragraph (13) of section 512(b)
 14 (relating to special rules for certain amounts received from
 15 controlled entities) is amended by redesignating subpara-
 16 graph (E) as subparagraph (F) and by inserting after sub-
 17 paragraph (D) the following new subparagraph:

18 “(E) PARAGRAPH TO APPLY ONLY TO EX-
 19 CESS PAYMENTS.—

20 “(i) IN GENERAL.—Subparagraph (A)
 21 shall apply only to the portion of a speci-
 22 fied payment received or accrued by the
 23 controlling organization that exceeds the
 24 amount which would have been paid or ac-

1 crued if such payment met the require-
2 ments prescribed under section 482.

3 “(ii) ADDITION TO TAX FOR VALU-
4 ATION MISSTATEMENTS.—The tax imposed
5 by this chapter on the controlling organiza-
6 tion shall be increased by an amount equal
7 to 20 percent of the larger of—

8 “(I) such excess determined with-
9 out regard to any amendment or sup-
10 plement to a return of tax, or

11 “(II) such excess determined
12 with regard to all such amendments
13 and supplements.”.

14 (b) EFFECTIVE DATE.—

15 (1) IN GENERAL.—The amendment made by
16 this section shall apply to payments received or ac-
17 crued after December 31, 2000.

18 (2) PAYMENTS SUBJECT TO BINDING CONTRACT
19 TRANSITION RULE.—If the amendments made by
20 section 1041 of the Taxpayer Relief Act of 1997 did
21 not apply to any amount received or accrued in the
22 first 2 taxable years beginning on or after the date
23 of the enactment of the Taxpayer Relief Act of 1997
24 under any contract described in subsection (b)(2) of
25 such section, such amendments also shall not apply

1 to amounts received or accrued under such contract
 2 before January 1, 2001.

3 **SEC. 303. SIMPLIFICATION OF LOBBYING EXPENDITURE**
 4 **LIMITATION.**

5 (a) REPEAL OF GRASSROOTS EXPENDITURE
 6 LIMIT.—Paragraph (1) of section 501(h) (relating to ex-
 7 penditures by public charities to influence legislation) is
 8 amended to read as follows:

9 “(1) GENERAL RULE.—In the case of an orga-
 10 nization to which this subsection applies, exemption
 11 from taxation under subsection (a) shall be denied
 12 because a substantial part of the activities of such
 13 organization consists of carrying on propaganda, or
 14 otherwise attempting, to influence legislation, but
 15 only if such organization normally makes lobbying
 16 expenditures in excess of the lobbying ceiling amount
 17 for such organization for each taxable year.”.

18 (b) EXCESS LOBBYING EXPENDITURES.—Section
 19 4911(b) is amended to read as follows:

20 “(b) EXCESS LOBBYING EXPENDITURES.—For pur-
 21 poses of this section, the term ‘excess lobbying expendi-
 22 tures’ means, for a taxable year, the amount by which the
 23 lobbying expenditures made by the organization during the
 24 taxable year exceed the lobbying nontaxable amount for
 25 such organization for such taxable year.”.

1 (c) CONFORMING AMENDMENTS.—

2 (1) Section 501(h)(2) is amended by striking
3 subparagraphs (C) and (D).

4 (2) Section 4911(c) is amended by striking
5 paragraphs (3) and (4).

6 (3) Paragraph (1)(A) of section 4911(f) is
7 amended by striking “limits of section 501(h)(1)
8 have” and inserting “limit of section 501(h)(1)
9 has”.

10 (4) Paragraph (1)(C) of section 4911(f) is
11 amended by striking “limits of section 501(h)(1)
12 are” and inserting “limit of section 501(h)(1) is”.

13 (5) Paragraphs (4)(A) and (4)(B) of section
14 4911(f) are each amended by striking “limits of sec-
15 tion 501(h)(1)” and inserting “limit of section
16 501(h)(1)”.

17 (6) Paragraph (8) of section 6033(b) (relating
18 to certain organizations described in section
19 501(c)(3)) is amended by inserting “and” at the end
20 of subparagraph (A) and by striking subparagraphs
21 (C) and (D).

22 (d) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to taxable years beginning after
24 December 31, 2004.

1 **SEC. 304. EXPEDITED REVIEW PROCESS FOR CERTAIN TAX-**
2 **EXEMPTION APPLICATIONS.**

3 (a) IN GENERAL.—The Secretary of the Treasury or
4 the Secretary’s delegate (in this section, referred to as the
5 “Secretary”) shall adopt procedures to expedite the con-
6 sideration of applications for exempt status under section
7 501(c)(3) of the Internal Revenue Code of 1986 filed after
8 December 31, 2004, by any organization that—

9 (1) is organized and operated for the primary
10 purpose of providing social services;

11 (2) is seeking a contract or grant under a Fed-
12 eral, State, or local program that provides funding
13 for social services programs;

14 (3) establishes that, under the terms and condi-
15 tions of the contract or grant program, an organiza-
16 tion is required to obtain such exempt status before
17 the organization is eligible to apply for a contract or
18 grant;

19 (4) includes with its exemption application a
20 copy of its completed Federal, State, or local con-
21 tract or grant application; and

22 (5) meets such other criteria as the Secretary
23 deems appropriate for expedited consideration.

24 The Secretary may prescribe other similar circumstances
25 in which such organizations may be entitled to expedited
26 consideration.

1 (b) WAIVER OF APPLICATION FEE FOR EXEMPT
 2 STATUS.—Any organization that meets the conditions de-
 3 scribed in subsection (a) (without regard to paragraph (3)
 4 of that subsection) is entitled to a waiver of any fee for
 5 an application for exempt status under section 501(c)(3)
 6 of the Internal Revenue Code of 1986 if the organization
 7 certifies that the organization has had (or expects to have)
 8 average annual gross receipts of not more than \$50,000
 9 during the preceding 4 years (or, in the case of an organi-
 10 zation not in existence throughout the preceding 4 years,
 11 during such organization’s first 4 years).

12 (c) SOCIAL SERVICES DEFINED.—For purposes of
 13 this section—

14 (1) IN GENERAL.—The term “social services”
 15 means services directed at helping people in need,
 16 reducing poverty, improving outcomes of low-income
 17 children, revitalizing low-income communities, and
 18 empowering low-income families and low-income in-
 19 dividuals to become self-sufficient, including—

20 (A) child care services, protective services
 21 for children and adults, services for children
 22 and adults in foster care, adoption services,
 23 services related to the management and mainte-
 24 nance of the home, day care services for adults,
 25 and services to meet the special needs of chil-

1 dren, older individuals, and individuals with dis-
2 abilities (including physical, mental, or emo-
3 tional disabilities);

4 (B) transportation services;

5 (C) job training and related services, and
6 employment services;

7 (D) information, referral, and counseling
8 services;

9 (E) the preparation and delivery of meals,
10 and services related to soup kitchens or food
11 banks;

12 (F) health support services;

13 (G) literacy and mentoring programs;

14 (H) services for the prevention and treat-
15 ment of juvenile delinquency and substance
16 abuse, services for the prevention of crime and
17 the provision of assistance to the victims and
18 the families of criminal offenders, and services
19 related to the intervention in, and prevention of,
20 domestic violence; and

21 (I) services related to the provision of as-
22 sistance for housing under Federal law.

23 (2) EXCLUSIONS.—The term does not include a
24 program having the purpose of delivering edu-
25 cational assistance under the Elementary and Sec-

1 ondary Education Act of 1965 (20 U.S.C. 6301 et
2 seq.) or under the Higher Education Act of 1965
3 (20 U.S.C. 1001 et seq.).

4 **SEC. 305. CLARIFICATION OF DEFINITION OF CHURCH TAX**
5 **INQUIRY.**

6 Subsection (i) of section 7611 (relating to section not
7 to apply to criminal investigations, etc.) is amended by
8 striking “or” at the end of paragraph (4), by striking the
9 period at the end of paragraph (5) and inserting “, or”,
10 and by inserting after paragraph (5) the following:

11 “(6) information provided by the Secretary re-
12 lated to the standards for exemption from tax under
13 this title and the requirements under this title relat-
14 ing to unrelated business taxable income.”.

15 **SEC. 306. EXPANSION OF DECLARATORY JUDGMENT REM-**
16 **EDY TO TAX-EXEMPT ORGANIZATIONS.**

17 (a) IN GENERAL.—Paragraph (1) of section 7428(a)
18 (relating to creation of remedy) is amended—

19 (1) in subparagraph (B) by inserting after
20 “509(a))” the following: “or as a private operating
21 foundation (as defined in section 4942(j)(3))”; and

22 (2) by amending subparagraph (C) to read as
23 follows:

24 “(C) with respect to the initial qualifica-
25 tion or continuing qualification of an organiza-

1 tion as an organization described in section
 2 501(c) (other than paragraph (3)) or 501(d)
 3 which is exempt from tax under section 501(a),
 4 or”.

5 (b) COURT JURISDICTION.—Subsection (a) of section
 6 7428 is amended in the material following paragraph (2)
 7 by striking “United States Tax Court, the United States
 8 Claims Court, or the district court of the United States
 9 for the District of Columbia” and inserting the following:
 10 “United States Tax Court (in the case of any such deter-
 11 mination or failure) or the United States Claims Court
 12 or the district court of the United States for the District
 13 of Columbia (in the case of a determination or failure with
 14 respect to an issue referred to in subparagraph (A) or (B)
 15 of paragraph (1)),”.

16 (c) EFFECTIVE DATE.—The amendments made by
 17 this section shall apply to pleadings filed with respect to
 18 determinations (or requests for determinations) made
 19 after December 31, 2004.

20 **SEC. 307. DEFINITION OF CONVENTION OR ASSOCIATION**
 21 **OF CHURCHES.**

22 Section 7701 (relating to definitions) is amended by
 23 redesignating subsection (o) as subsection (p) and by in-
 24 serting after subsection (n) the following new subsection:

1 “(o) CONVENTION OR ASSOCIATION OF CHURCH-
 2 ES.—For purposes of this title, any organization which is
 3 otherwise a convention or association of churches shall not
 4 fail to so qualify merely because the membership of such
 5 organization includes individuals as well as churches or be-
 6 cause individuals have voting rights in such organiza-
 7 tion.”.

8 **SEC. 308. PAYMENTS BY CHARITABLE ORGANIZATIONS TO**
 9 **VICTIMS OF WAR ON TERRORISM AND FAMI-**
 10 **LIES OF ASTRONAUTS KILLED IN THE LINE**
 11 **OF DUTY.**

12 (a) IN GENERAL.—For purposes of the Internal Rev-
 13 enue Code of 1986—

14 (1) any payment made by an organization de-
 15 scribed in section 501(c)(3) of such Code to—

16 (A) a member of the Armed Forces of the
 17 United States, or to an individual of such mem-
 18 ber’s immediate family, by reason of the death,
 19 injury, wounding, or illness of such member in-
 20 curred as the result of the military response of
 21 the United States to the terrorist attacks
 22 against the United States on September 11,
 23 2001, or

24 (B) an individual of an astronaut’s imme-
 25 diate family by reason of the death of such as-

1 tronaut occurring in the line of duty after De-
 2 cember 31, 2002,
 3 shall be treated as related to the purpose or function
 4 constituting the basis for such organization's exemp-
 5 tion under section 501 of such Code if such payment
 6 is made using an objective formula which is consist-
 7 ently applied, and

8 (2) in the case of a private foundation (as de-
 9 fined in section 509 of such Code), any payment de-
 10 scribed in paragraph (1) shall not be treated as
 11 made to a disqualified person for purposes of section
 12 4941 of such Code.

13 (b) EFFECTIVE DATES.—This section shall apply
 14 to—

15 (1) payments described in subsection (a)(1)(A)
 16 made after the date of the enactment of this Act and
 17 before September 11, 2005, and

18 (2) payments described in subsection (a)(1)(B)
 19 made after December 31, 2002.

20 **SEC. 309. MODIFICATION OF SCHOLARSHIP FOUNDATION**
 21 **RULES.**

22 In applying the limitations on the percentage of
 23 scholarship grants which may be awarded after the date
 24 of the enactment of this Act, to children of current or
 25 former employees under Revenue Procedure 76-47, such

1 percentage shall be increased to 35 percent of the eligible
 2 applicants to be considered by the selection committee and
 3 to 20 percent of individuals eligible for the grants, but
 4 only if the foundation awarding the grants demonstrates
 5 that, in addition to meeting the other requirements of Rev-
 6 enue Procedure 76–47, it provides a comparable number
 7 and aggregate amount of grants during the same program
 8 year to individuals who are not such employees, children
 9 or dependents of such employees, or affiliated with the em-
 10 ployer of such employees.

11 **SEC. 310. TREATMENT OF CERTAIN HOSPITAL SUPPORT**
 12 **ORGANIZATIONS AS QUALIFIED ORGANIZA-**
 13 **TIONS FOR PURPOSES OF DETERMINING AC-**
 14 **QUISITION INDEBTEDNESS.**

15 (a) IN GENERAL.—Subparagraph (C) of section
 16 514(c)(9) (relating to real property acquired by a qualified
 17 organization) is amended by striking “or” at the end of
 18 clause (ii), by striking the period at the end of clause (iii)
 19 and inserting “; or”, and by adding at the end the fol-
 20 lowing new clause:

21 “(iv) a qualified hospital support
 22 organization (as defined in subpara-
 23 graph (I)).”.

1 (b) QUALIFIED HOSPITAL SUPPORT ORGANIZA-
 2 TIONS.—Paragraph (9) of section 514(c) is amended by
 3 adding at the end the following new subparagraph:

4 “(I) QUALIFIED HOSPITAL SUPPORT ORGA-
 5 NIZATIONS.—For purposes of subparagraph
 6 (C)(iv), the term ‘qualified hospital support or-
 7 ganization’ means, with respect to any eligible
 8 indebtedness (including any qualified refi-
 9 nancing of such eligible indebtedness), a sup-
 10 port organization (as defined in section
 11 509(a)(3)) which supports a hospital described
 12 in section 119(d)(4)(B) and with respect to
 13 which—

14 “(i) more than half of the organi-
 15 zation’s assets (by value) at any time
 16 since its organization—

17 “(I) were acquired, directly
 18 or indirectly, by testamentary gift
 19 or devise, and

20 “(II) consisted of real prop-
 21 erty, and

22 “(ii) the fair market value of the
 23 organization’s real estate acquired, di-
 24 rectly or indirectly, by gift or devise,
 25 exceeded 25 percent of the fair mar-

1 ket value of all investment assets held
2 by the organization immediately prior
3 to the time that the eligible indebted-
4 ness was incurred.

5 For purposes of this subparagraph, the term
6 ‘eligible indebtedness’ means indebtedness se-
7 cured by real property acquired by the organi-
8 zation, directly or indirectly, by gift or devise,
9 the proceeds of which are used exclusively to ac-
10 quire any leasehold interest in such real prop-
11 erty or for improvements on, or repairs to, such
12 real property. A determination under clauses (i)
13 and (ii) of this subparagraph shall be made
14 each time such an eligible indebtedness (or the
15 qualified refinancing of such an eligible indebt-
16 edness) is incurred. For purposes of this sub-
17 paragraph, a refinancing of such an eligible in-
18 debtedness shall be considered qualified if such
19 refinancing does not exceed the amount of the
20 refinanced eligible indebtedness immediately be-
21 fore the refinancing.”.

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to indebtedness incurred after De-
24 cember 31, 2004.

1 **SEC. 311. MATCHING GRANTS TO LOW-INCOME TAXPAYER**
 2 **CLINICS FOR RETURN PREPARATION.**

3 (a) IN GENERAL.—Chapter 77 (relating to miscella-
 4 neous provisions) is amended by inserting after section
 5 7526 the following new section:

6 **“SEC. 7526A. RETURN PREPARATION CLINICS FOR LOW-IN-**
 7 **COME TAXPAYERS.**

8 “(a) IN GENERAL.—The Secretary may, subject to
 9 the availability of appropriated funds, make grants to pro-
 10 vide matching funds for the development, expansion, or
 11 continuation of qualified return preparation clinics.

12 “(b) DEFINITIONS.—For purposes of this section—

13 “(1) QUALIFIED RETURN PREPARATION CLIN-
 14 IC.—

15 “(A) IN GENERAL.—The term ‘qualified
 16 return preparation clinic’ means a clinic
 17 which—

18 “(i) does not charge more than a
 19 nominal fee for its services (except for re-
 20 imbursement of actual costs incurred), and

21 “(ii) operates programs which assist
 22 low-income taxpayers in preparing and fil-
 23 ing their Federal income tax returns, in-
 24 cluding schedules reporting sole proprietor-
 25 ship or farm income.

“(B) ASSISTANCE TO LOW-INCOME TAXPAYERS.—A clinic is treated as assisting low-income taxpayers under subparagraph (A)(ii) if at least 90 percent of the taxpayers assisted by the clinic have incomes which do not exceed 250 percent of the poverty level, as determined in accordance with criteria established by the Director of the Office of Management and Budget.

“(2) CLINIC.—The term ‘clinic’ includes—

“(A) a clinical program at an eligible educational institution (as defined in section 529(e)(5)) which satisfies the requirements of paragraph (1) through student assistance of taxpayers in return preparation and filing, and

“(B) an organization described in section 501(c) and exempt from tax under section 501(a) which satisfies the requirements of paragraph (1).

“(c) SPECIAL RULES AND LIMITATIONS.—

“(1) AGGREGATE LIMITATION.—Unless otherwise provided by specific appropriation, the Secretary shall not allocate more than \$10,000,000 per year (exclusive of costs of administering the program) to grants under this section.

1 “(2) OTHER APPLICABLE RULES.—Rules simi-
 2 lar to the rules under paragraphs (2) through (5) of
 3 section 7526(c) shall apply with respect to the
 4 awarding of grants to qualified return preparation
 5 clinics.”.

6 (b) CLERICAL AMENDMENT.—The table of sections
 7 for chapter 77 is amended by inserting after the item re-
 8 lating to section 7526 the following new item:

“Sec. 7526A. Return preparation clinics for low-income tax-
 payers.”.

9 (c) EFFECTIVE DATE.—The amendments made by
 10 this section shall apply to grants made after the date of
 11 the enactment of this Act.

12 **SEC. 312. EXEMPTION OF QUALIFIED 501(c)(3) BONDS FOR**
 13 **NURSING HOMES FROM FEDERAL GUAR-**
 14 **ANTEE PROHIBITIONS.**

15 (a) IN GENERAL.—Section 149(b)(3) (relating to ex-
 16 ceptions) is amended by adding at the end the following
 17 new subparagraph:

18 “(E) EXCEPTION FOR QUALIFIED 501(c)(3)
 19 BONDS FOR NURSING HOMES.—

20 “(i) IN GENERAL.—Paragraph (1)
 21 shall not apply to any qualified 501(c)(3)
 22 bond issued before the date which is 1 year
 23 after the date of the enactment of this sub-
 24 paragraph for the benefit of an organiza-

tion described in section 501(c)(3), if such bond is part of an issue the proceeds of which are used to finance 1 or more of the following facilities primarily for the benefit of the elderly:

“(I) Licensed nursing home facility.

“(II) Licensed or certified assisted living facility.

“(III) Licensed personal care facility.

“(IV) Continuing care retirement community.

“(ii) LIMITATION.—With respect to any calendar year, clause (i) shall not apply to any bond described in such clause if the aggregate authorized face amount of the issue of which such bond is a part when increased by the outstanding amount of such bonds issued by the issuer for such calendar year exceeds \$15,000,000.

“(iii) CONTINUING CARE RETIREMENT COMMUNITY.—For purposes of this subparagraph, the term ‘continuing care retirement community’ means a community

1 which provides, on the same campus, a
 2 continuum of residential living options and
 3 support services to persons at least 60
 4 years of age under a written agreement.
 5 For purposes of the preceding sentence,
 6 the residential living options shall include
 7 independent living units, nursing home
 8 beds, and either assisted living units or
 9 personal care beds.”.

10 (b) EFFECTIVE DATE.—The amendment made by
 11 this section shall apply to bonds issued after the date of
 12 the enactment of this Act.

13 **SEC. 313. EXCISE TAXES EXEMPTION FOR BLOOD COL-**
 14 **LECTOR ORGANIZATIONS.**

15 (a) EXEMPTION FROM IMPOSITION OF SPECIAL
 16 FUELS TAX.—Section 4041(g) (relating to other exemp-
 17 tions) is amended by striking “and” at the end of para-
 18 graph (3), by striking the period in paragraph (4) and
 19 inserting “; and”, and by inserting after paragraph (4)
 20 the following new paragraph:

21 “(5) with respect to the sale of any liquid to a
 22 qualified blood collector organization (as defined in
 23 section 7701(a)(49)) for such organization’s exclu-
 24 sive use, or with respect to the use by a qualified
 25 blood collector organization of any liquid as a fuel.”.

1 (b) EXEMPTION FROM MANUFACTURERS EXCISE
2 TAX.—

3 (1) IN GENERAL.—Section 4221(a) (relating to
4 certain tax-free sales) is amended by striking “or”
5 at the end of paragraph (4), by adding “or” at the
6 end of paragraph (5), and by inserting after para-
7 graph (5) the following new paragraph:

8 “(6) to a qualified blood collector organization
9 (as defined in section 7701(a)(49)) for such organi-
10 zation’s exclusive use,”.

11 (2) CONFORMING AMENDMENTS.—

12 (A) The second sentence of section
13 4221(a) is amended by striking “Paragraphs
14 (4) and (5)” and inserting “Paragraphs (4),
15 (5), and (6)”.

16 (B) Section 6421(c) is amended by strik-
17 ing “or (5)” and inserting “(5), or (6)”.

18 (c) EXEMPTION FROM COMMUNICATION EXCISE
19 TAX.—

20 (1) IN GENERAL.—Section 4253 (relating to ex-
21 emptions) is amended by redesignating subsection
22 (k) as subsection (l) and inserting after subsection
23 (j) the following new subsection:

24 “(k) EXEMPTION FOR QUALIFIED BLOOD COL-
25 LECTOR ORGANIZATIONS.—Under regulations provided by

1 the Secretary, no tax shall be imposed under section 4251
 2 on any amount paid by a qualified blood collector organi-
 3 zation (as defined in section 7701(a)) for services or facili-
 4 ties furnished to such organization.”.

5 (2) CONFORMING AMENDMENT.—Section
 6 4253(l), as redesignated by paragraph (1), is
 7 amended by striking “or (j)” and inserting “(j), or
 8 (k)”.

9 (d) CREDIT FOR REFUND FOR CERTAIN TAXES ON
 10 SALES AND SERVICES.—

11 (1) DEEMED OVERPAYMENT.—

12 (A) IN GENERAL.—Section 6416(b)(2) is
 13 amended by redesignating subparagraphs (E)
 14 and (F) as subparagraphs (F) and (G), respec-
 15 tively, and by inserting after subparagraph (D)
 16 the following new subparagraph:

17 “(E) sold to a qualified blood collector or-
 18 ganization’s (as defined in section 7701(a)(49))
 19 for such organization’s exclusive use;”.

20 (B) CONFORMING AMENDMENTS.—Section
 21 6416(b)(2) is amended—

22 (i) by striking “Subparagraphs (C)
 23 and (D)” and inserting “Subparagraphs
 24 (C), (D), and (E)”, and

1 (ii) by striking “(C), and (D)” and in-
 2 serting “(C), (D), and (E)”.

3 (2) SALES OF TIRES.—Clause (ii) of section
 4 6416(b)(4)(B) is amended by inserting “sold to a
 5 qualified blood collector organization (as defined in
 6 section 7701(a)(49)),” after “for its exclusive use,”.

7 (e) DEFINITION OF QUALIFIED BLOOD COLLECTOR
 8 ORGANIZATION.—Section 7701(a) is amended by inserting
 9 at the end the following new paragraph:

10 “(49) QUALIFIED BLOOD COLLECTOR ORGANI-
 11 ZATION.—For purposes of this title, the term ‘quali-
 12 fied blood collector organization’ means an organiza-
 13 tion which is—

14 “(A) described in section 501(c)(3) and ex-
 15 empt from tax under section 501(a),

16 “(B) registered by the Food and Drug Ad-
 17 ministration to collect blood, and

18 “(C) primarily engaged in the activity of
 19 the collection of blood.”.

20 (f) EFFECTIVE DATE.—

21 (1) IN GENERAL.—Except as provided in para-
 22 graph (2), the amendments made by this section
 23 shall apply with respect to excise taxes imposed on
 24 sales or uses occurring on or after October 1, 2004.

1 (2) REFUND OF GASOLINE TAX.—For purposes
 2 of section 6421(c) of the Internal Revenue Code of
 3 1986 and any other provision that allows for a re-
 4 fund or a payment in respect of an excise tax pay-
 5 able at a level before the sale to a qualified blood
 6 collector organization, the amendments made by this
 7 section shall apply with respect to sales to a quali-
 8 fied collector organization on or after October 1,
 9 2004.

10 **TITLE IV—SOCIAL SERVICES** 11 **BLOCK GRANT**

12 **SEC. 401. RESTORATION OF FUNDS FOR THE SOCIAL SERV-** 13 **ICES BLOCK GRANT.**

14 (a) FINDINGS.—Congress makes the following find-
 15 ings:

16 (1) On August 22, 1996, the Personal Respon-
 17 sibility and Work Opportunity Reconciliation Act of
 18 1996 (Public Law 104–193; 110 Stat. 2105) was
 19 signed into law.

20 (2) In enacting that law, Congress authorized
 21 \$2,800,000,000 for fiscal year 2003 and each fiscal
 22 year thereafter to carry out the Social Services
 23 Block Grant program established under title XX of
 24 the Social Security Act (42 U.S.C. 1397 et seq.).

1 (b) RESTORATION OF FUNDS.—Section 2003(c)(11)
 2 of the Social Security Act (42 U.S.C. 1397b(c)(11)) is
 3 amended by inserting “, except that, with respect to fiscal
 4 year 2006, the amount shall be \$1,975,000,000, and with
 5 respect to fiscal year 2007, the amount shall be
 6 \$2,800,000,000” after “thereafter”.

7 **SEC. 402. RESTORATION OF AUTHORITY TO TRANSFER UP**
 8 **TO 10 PERCENT OF TANF FUNDS TO THE SO-**
 9 **CIAL SERVICES BLOCK GRANT.**

10 (a) IN GENERAL.—Section 404(d)(2) of the Social
 11 Security Act (42 U.S.C. 604(d)(2)) is amended to read
 12 as follows:

13 “(2) LIMITATION ON AMOUNT TRANSFERABLE
 14 TO TITLE XX PROGRAMS.—A State may use not
 15 more than 10 percent of the amount of any grant
 16 made to the State under section 403(a) for a fiscal
 17 year to carry out State programs pursuant to title
 18 XX.”.

19 (b) EFFECTIVE DATE.—The amendment made by
 20 subsection (a) applies to amounts made available for fiscal
 21 year 2006 and each fiscal year thereafter.

22 **SEC. 403. REQUIREMENT TO SUBMIT ANNUAL REPORT ON**
 23 **STATE ACTIVITIES.**

24 (a) IN GENERAL.—Section 2006(c) of the Social Se-
 25 curity Act (42 U.S.C. 1397e(c)) is amended by adding at

1 the end the following: “The Secretary shall compile the
 2 information submitted by the States and submit that in-
 3 formation to Congress on an annual basis.”.

4 (b) EFFECTIVE DATE.—The amendment made by
 5 subsection (a) applies to information submitted by States
 6 under section 2006 of the Social Security Act (42 U.S.C.
 7 1397e) with respect to fiscal year 2005 and each fiscal
 8 year thereafter.

9 **TITLE V—INDIVIDUAL** 10 **DEVELOPMENT ACCOUNTS**

11 **SEC. 501. SHORT TITLE.**

12 This title may be cited as the “Savings for Working
 13 Families Act of 2005”.

14 **SEC. 502. PURPOSES.**

15 The purposes of this title are to provide for the estab-
 16 lishment of individual development account programs that
 17 will—

18 (1) provide individuals and families with limited
 19 means an opportunity to accumulate assets and to
 20 enter the financial mainstream,

21 (2) promote education, homeownership, and the
 22 development of small businesses,

23 (3) stabilize families and build communities,
 24 and

1 (4) support continued United States economic
2 expansion.

3 **SEC. 503. DEFINITIONS.**

4 As used in this title:

5 (1) ELIGIBLE INDIVIDUAL.—

6 (A) IN GENERAL.—The term “eligible indi-
7 vidual” means, with respect to any taxable year,
8 an individual who—

9 (i) has attained the age of 18 but not
10 the age of 61 as of the last day of such
11 taxable year,

12 (ii) is a citizen or lawful permanent
13 resident (within the meaning of section
14 7701(b)(6) of the Internal Revenue Code
15 of 1986) of the United States as of the
16 last day of such taxable year,

17 (iii) was not a student (as defined in
18 section 151(c)(4) of such Code) for the im-
19 mediately preceding taxable year,

20 (iv) is not an individual with respect
21 to whom a deduction under section 151 of
22 such Code is allowable to another taxpayer
23 for a taxable year of the other taxpayer
24 ending during the immediately preceding
25 taxable year of the individual,

(v) is not a taxpayer described in subsection (c), (d), or (e) of section 6402 of such Code for the immediately preceding taxable year,

(vi) is not a taxpayer described in section 1(d) of such Code for the immediately preceding taxable year, and

(vii) is a taxpayer the modified adjusted gross income of whom for the immediately preceding taxable year does not exceed—

(I) \$20,000, in the case of a taxpayer described in section 1(c) of such Code,

(II) \$30,000, in the case of a taxpayer described in section 1(b) of such Code, and

(III) \$40,000, in the case of a taxpayer described in section 1(a) of such Code.

(B) INFLATION ADJUSTMENT.—

(i) IN GENERAL.—In the case of any taxable year beginning after 2005, each dollar amount referred to in subparagraph

1 (A)(vii) shall be increased by an amount
2 equal to—

3 (I) such dollar amount, multi-
4 plied by

5 (II) the cost-of-living adjustment
6 determined under section (1)(f)(3) of
7 the Internal Revenue Code of 1986
8 for the calendar year in which the tax-
9 able year begins, by substituting
10 “2004” for “1992”.

11 (ii) ROUNDING.—If any amount as
12 adjusted under clause (i) is not a multiple
13 of \$50, such amount shall be rounded to
14 the nearest multiple of \$50.

15 (C) MODIFIED ADJUSTED GROSS IN-
16 COME.—For purposes of subparagraph (A)(v),
17 the term “modified adjusted gross income”
18 means adjusted gross income—

19 (i) determined without regard to sec-
20 tions 86, 893, 911, 931, and 933 of the
21 Internal Revenue Code of 1986, and

22 (ii) increased by the amount of inter-
23 est received or accrued by the taxpayer
24 during the taxable year which is exempt
25 from tax.

1 (2) INDIVIDUAL DEVELOPMENT ACCOUNT.—

2 The term “Individual Development Account” means
3 an account established for an eligible individual as
4 part of a qualified individual development account
5 program, but only if the written governing instru-
6 ment creating the account meets the following re-
7 quirements:

8 (A) The owner of the account is the indi-
9 vidual for whom the account was established.

10 (B) No contribution will be accepted unless
11 it is in cash, and, except in the case of any
12 qualified rollover, contributions will not be ac-
13 cepted for the taxable year in excess of \$1,500
14 on behalf of any individual.

15 (C) The trustee of the account is a quali-
16 fied financial institution.

17 (D) The assets of the account will not be
18 commingled with other property except in a
19 common trust fund or common investment
20 fund.

21 (E) Except as provided in section 507(b),
22 any amount in the account may be paid out
23 only for the purpose of paying the qualified ex-
24 penses of the account owner.

1 (3) PARALLEL ACCOUNT.—The term “parallel
2 account” means a separate, parallel individual or
3 pooled account for all matching funds and earnings
4 dedicated to an Individual Development Account
5 owner as part of a qualified individual development
6 account program, the trustee of which is a qualified
7 financial institution.

8 (4) QUALIFIED FINANCIAL INSTITUTION.—

9 (A) IN GENERAL.—The term “qualified fi-
10 nancial institution” means any person author-
11 ized to be a trustee of any individual retirement
12 account under section 408(a)(2) of the Internal
13 Revenue Code of 1986.

14 (B) RULE OF CONSTRUCTION.—

15 (i) IN GENERAL.—Nothing in this
16 paragraph shall be construed as preventing
17 a person described in subparagraph (A)
18 from collaborating with 1 or more qualified
19 nonprofit organizations or Indian tribes to
20 carry out an individual development ac-
21 count program established under section
22 504.

23 (ii) QUALIFIED NONPROFIT ORGANI-
24 ZATION.—The term “qualified nonprofit
25 organization” means—

1 (I) any organization described in
 2 section 501(c)(3) of the Internal Rev-
 3 enue Code of 1986 and exempt from
 4 taxation under section 501(a) of such
 5 Code,

6 (II) any community development
 7 financial institution certified by the
 8 Community Development Financial
 9 Institution Fund,

10 (III) any credit union chartered
 11 under Federal or State law, or

12 (IV) any public housing agency
 13 as defined in section 3(b)(6) of the
 14 United States Housing Act of 1937
 15 (42 U.S.C. 1437a(b)(6)).

16 (iii) INDIAN TRIBE.—The term “In-
 17 dian tribe” means any Indian tribe as de-
 18 fined in section 4(12) of the Native Amer-
 19 ican Housing Assistance and Self-Deter-
 20 mination Act of 1996 (25 U.S.C.
 21 4103(12), and includes any tribally des-
 22 ignated housing entity (as defined in sec-
 23 tion 4(21) of such Act (25 U.S.C.
 24 4103(21)), tribal subsidiary, subdivision,
 25 or other wholly owned tribal entity.

1 (5) QUALIFIED INDIVIDUAL DEVELOPMENT AC-
 2 COUNT PROGRAM.—The term “qualified individual
 3 development account program” means a program es-
 4 tablished upon approval of the Secretary under sec-
 5 tion 504 after December 31, 2004, under which—

6 (A) Individual Development Accounts and
 7 parallel accounts are held in trust by a qualified
 8 financial institution, and

9 (B) additional activities determined by the
 10 Secretary, in consultation with the Secretary of
 11 Health and Human Services, as necessary to re-
 12 sponsibly develop and administer accounts, in-
 13 cluding recruiting, providing financial education
 14 and other training to Account owners, and reg-
 15 ular program monitoring, are carried out by the
 16 qualified financial institution.

17 (6) QUALIFIED EXPENSE DISTRIBUTION.—

18 (A) IN GENERAL.—The term “qualified ex-
 19 pense distribution” means any amount paid (in-
 20 cluding through electronic payments) or distrib-
 21 uted out of an Individual Development Account
 22 or a parallel account established for an eligible
 23 individual if such amount—

24 (i) is used exclusively to pay the quali-
 25 fied expenses of the Individual Develop-

1 ment Account owner or such owner's
2 spouse or dependents,

3 (ii) is paid by the qualified financial
4 institution—

5 (I) except as otherwise provided
6 in this clause, directly to the unre-
7 lated third party to whom the amount
8 is due,

9 (II) in the case of any qualified
10 rollover, directly to another Individual
11 Development Account and parallel ac-
12 count, or

13 (III) in the case of a qualified
14 final distribution, directly to the
15 spouse, dependent, or other named
16 beneficiary of the deceased Account
17 owner, and

18 (iii) is paid after the Account owner
19 has completed a financial education course
20 if required under section 505(b).

21 (B) QUALIFIED EXPENSES.—

22 (i) IN GENERAL.—The term “qualified
23 expenses” means any of the following ex-
24 penses approved by the qualified financial
25 institution:

1 (I) Qualified higher education ex-
2 penses.

3 (II) Qualified first-time home-
4 buyer costs.

5 (III) Qualified business capital-
6 ization or expansion costs.

7 (IV) Qualified rollovers.

8 (V) Qualified final distribution.

9 (ii) QUALIFIED HIGHER EDUCATION
10 EXPENSES.—

11 (I) IN GENERAL.—The term
12 “qualified higher education expenses”
13 has the meaning given such term by
14 section 529(e)(3) of the Internal Rev-
15 enue Code of 1986, determined by
16 treating the Account owner, the own-
17 er’s spouse, or one or more of the
18 owner’s dependents as a designated
19 beneficiary, and reduced as provided
20 in section 25A(g)(2) of such Code.

21 (II) COORDINATION WITH OTHER
22 BENEFITS.—The amount of expenses
23 which may be taken into account for
24 purposes of section 135, 529, or 530
25 of such Code for any taxable year

shall be reduced by the amount of any qualified higher education expenses taken into account as qualified expense distributions during such taxable year.

(iii) QUALIFIED FIRST-TIME HOME-BUYER COSTS.—The term “qualified first-time homebuyer costs” means qualified acquisition costs (as defined in section 72(t)(8)(C) of the Internal Revenue Code of 1986) with respect to a principal residence (within the meaning of section 121 of such Code) for a qualified first-time homebuyer (as defined in section 72(t)(8)(D)(i) of such Code).

(iv) QUALIFIED BUSINESS CAPITALIZATION OR EXPANSION COSTS.—

(I) IN GENERAL.—The term “qualified business capitalization or expansion costs” means qualified expenditures for the capitalization or expansion of a qualified business pursuant to a qualified business plan.

(II) QUALIFIED EXPENDITURES.—The term “qualified expendi-

1 tures” means expenditures normally
 2 associated with starting or expanding
 3 a business and included in a qualified
 4 business plan, including costs for cap-
 5 ital, plant, and equipment, inventory
 6 expenses, and attorney and accounting
 7 fees.

8 (III) QUALIFIED BUSINESS.—

9 The term “qualified business” means
 10 any business that does not contravene
 11 any law.

12 (IV) QUALIFIED BUSINESS

13 PLAN.—The term “qualified business
 14 plan” means a business plan which
 15 has been approved by the qualified fi-
 16 nancial institution and which meets
 17 such requirements as the Secretary
 18 may specify.

19 (v) QUALIFIED ROLLOVERS.—The

20 term “qualified rollover” means the com-
 21 plete distribution of the amounts in an In-
 22 dividual Development Account and parallel
 23 account to another Individual Development
 24 Account and parallel account established in

1 another qualified financial institution for
 2 the benefit of the Account owner.

3 (vi) QUALIFIED FINAL DISTRIBUTION.—The term “qualified final distribu-
 4 tion” means, in the case of a deceased Ac-
 5 count owner, the complete distribution of
 6 the amounts in the Individual Development
 7 Account and parallel account directly to
 8 the spouse, any dependent, or other named
 9 beneficiary of the deceased.
 10

11 (7) SECRETARY.—The term “Secretary” means
 12 the Secretary of the Treasury.

13 **SEC. 504. STRUCTURE AND ADMINISTRATION OF QUALI-**
 14 **FIED INDIVIDUAL DEVELOPMENT ACCOUNT**
 15 **PROGRAMS.**

16 (a) ESTABLISHMENT OF QUALIFIED INDIVIDUAL DE-
 17 VELOPMENT ACCOUNT PROGRAMS.—Any qualified finan-
 18 cial institution may apply to the Secretary for approval
 19 to establish 1 or more qualified individual development ac-
 20 count programs which meet the requirements of this title

21 (b) BASIC PROGRAM STRUCTURE.—

22 (1) IN GENERAL.—All qualified individual de-
 23 velopment account programs shall consist of the fol-
 24 lowing 2 components for each participant:

1 (A) An Individual Development Account to
 2 which an eligible individual may contribute cash
 3 in accordance with section 505.

4 (B) A parallel account to which all match-
 5 ing funds shall be deposited in accordance with
 6 section 506.

7 (2) TAILORED IDA PROGRAMS.—A qualified fi-
 8 nancial institution may tailor its qualified individual
 9 development account program to allow matching
 10 funds to be spent on 1 or more of the categories of
 11 qualified expenses.

12 (c) COORDINATION WITH PUBLIC HOUSING AGENCY
 13 INDIVIDUAL SAVINGS ACCOUNTS.—Section 3(e)(2) of the
 14 United States Housing Act of 1937 (42 U.S.C.
 15 1437a(e)(2)) is amended by inserting “or in any Indi-
 16 vidual Development Account established under the Sav-
 17 ings for Working Families Act of 2005” after “sub-
 18 section”.

19 (d) TAX TREATMENT OF PARALLEL ACCOUNTS.—

20 (1) IN GENERAL.—Chapter 77 (relating to mis-
 21 cellaneous provisions) is amended by adding at the
 22 end the following new section:

23 **“SEC. 7529. TAX INCENTIVES FOR INDIVIDUAL DEVELOP-**
 24 **MENT PARALLEL ACCOUNTS.**

25 “For purposes of this title—

1 “(1) any account described in section
2 504(b)(1)(B) of the Savings for Working Families
3 Act of 2005 shall be exempt from taxation,

4 “(2) except as provided in section 45N, no item
5 of income, expense, basis, gain, or loss with respect
6 to such an account may be taken into account, and

7 “(3) any amount withdrawn from such an ac-
8 count shall not be includible in gross income.”.

9 (2) CONFORMING AMENDMENT.—The table of
10 sections for chapter 77 is amended by adding at the
11 end the following new item:

“Sec. 7529. Tax incentives for individual development parallel ac-
counts.”.

12 (e) COORDINATION OF CERTAIN EXPENSES.—Section
13 25A(g)(2) is amended by striking “and” at the end of sub-
14 paragraph (C), by striking the period at the end of sub-
15 paragraph (D) and inserting “, and”, and by adding at
16 the end the following new subparagraph:

17 “(D) a qualified expense distribution with
18 respect to qualified higher education expenses
19 from an Individual Development Account or a
20 parallel account under section 507(a) of the
21 Savings for Working Families Act of 2005.”.

1 **SEC. 505. PROCEDURES FOR OPENING AND MAINTAINING**
2 **AN INDIVIDUAL DEVELOPMENT ACCOUNT**
3 **AND QUALIFYING FOR MATCHING FUNDS.**

4 (a) OPENING AN ACCOUNT.—An eligible individual
5 may open an Individual Development Account with a
6 qualified financial institution upon certification that such
7 individual has never maintained any other Individual De-
8 velopment Account (other than an Individual Development
9 Account to be terminated by a qualified rollover).

10 (b) REQUIRED COMPLETION OF FINANCIAL EDU-
11 CATION COURSE.—

12 (1) IN GENERAL.—Before becoming eligible to
13 withdraw funds to pay for qualified expenses, owners
14 of Individual Development Accounts must complete
15 1 or more financial education courses specified in
16 the qualified individual development account pro-
17 gram.

18 (2) STANDARD AND APPLICABILITY OF
19 COURSE.—The Secretary, in consultation with rep-
20 resentatives of qualified individual development ac-
21 count programs and financial educators, shall not
22 later than January 1, 2006, establish minimum
23 quality standards for the contents of financial edu-
24 cation courses and providers of such courses de-
25 scribed in paragraph (1) and a protocol to exempt
26 individuals from the requirement under paragraph

1 (1) in the case of hardship, lack of need, the attain-
 2 ment of age 65, or a qualified final distribution.

3 (c) PROOF OF STATUS AS AN ELIGIBLE INDIVIDUAL.—Federal income tax forms for the immediately
 4 preceding taxable year and any other evidence of eligibility
 5 which may be required by a qualified financial institution
 6 shall be presented to such institution at the time of the
 7 establishment of the Individual Development Account and
 8 in any taxable year in which contributions are made to
 9 the Account to qualify for matching funds under section
 10 506(b)(1)(A).
 11

12 (d) SPECIAL RULE IN THE CASE OF MARRIED INDIVIDUALS.—For purposes of this title, if, with respect to
 13 any taxable year, 2 married individuals file a Federal joint
 14 income tax return, then not more than 1 of such individ-
 15 uals may be treated as an eligible individual with respect
 16 to the succeeding taxable year.
 17

18 **SEC. 506. DEPOSITS BY QUALIFIED INDIVIDUAL DEVELOP-**
 19 **MENT ACCOUNT PROGRAMS.**

20 (a) PARALLEL ACCOUNTS.—The qualified financial
 21 institution shall deposit all matching funds for each Indi-
 22 vidual Development Account into a parallel account at a
 23 qualified financial institution.

24 (b) REGULAR DEPOSITS OF MATCHING FUNDS.—

1 (1) IN GENERAL.—Subject to paragraph (2),
2 the qualified financial institution shall deposit into
3 the parallel account with respect to each eligible in-
4 dividual the following amounts:

5 (A) A dollar-for-dollar match for the first
6 \$500 contributed by the eligible individual into
7 an Individual Development Account with re-
8 spect to any taxable year of such individual.

9 (B) Any matching funds provided by State,
10 local, or private sources in accordance with the
11 matching ratio set by those sources.

12 (2) TIMING OF DEPOSITS.—A deposit of the
13 amounts described in paragraph (1) shall be made
14 into a parallel account—

15 (A) in the case of amounts described in
16 paragraph (1)(A), not later than 30 days after
17 the end of the calendar quarter during which
18 the contribution described in such paragraph
19 was made, and

20 (B) in the case of amounts described in
21 paragraph (1)(B), not later than 2 business
22 days after such amounts were provided.

1 (3) CROSS REFERENCE.—

For allowance of tax credit for Individual Development Account subsidies, including matching funds, see section 45N of the Internal Revenue Code of 1986.

2 (c) DEPOSIT OF MATCHING FUNDS INTO INDI-
 3 VIDUAL DEVELOPMENT ACCOUNT OF INDIVIDUAL WHO
 4 HAS ATTAINED AGE 65.—In the case of an Individual De-
 5 velopment Account owner who attains the age of 65, the
 6 qualified financial institution shall deposit the funds in the
 7 parallel account with respect to such individual into the
 8 Individual Development Account of such individual on the
 9 later of—

- 10 (1) the day which is the 1-year anniversary of
 11 the deposit of such funds in the parallel account, or
 12 (2) the first business day of the taxable year of
 13 such individual following the taxable year in which
 14 such individual attained age 65.

15 (d) UNIFORM ACCOUNTING REGULATIONS.—To en-
 16 sure proper recordkeeping and determination of the tax
 17 credit under section 45N of the Internal Revenue Code
 18 of 1986, the Secretary shall prescribe regulations with re-
 19 spect to accounting for matching funds in the parallel ac-
 20 counts.

21 (e) REGULAR REPORTING OF ACCOUNTS.—Any
 22 qualified financial institution shall report the balances in
 23 any Individual Development Account and parallel account

1 of an individual on not less than an annual basis to such
 2 individual.

3 **SEC. 507. WITHDRAWAL PROCEDURES.**

4 (a) WITHDRAWALS FOR QUALIFIED EXPENSES.—

5 (1) IN GENERAL.—An Individual Development
 6 Account owner may withdraw funds in order to pay
 7 qualified expense distributions from such individ-
 8 ual's—

9 (A) Individual Development Account, but
 10 only from funds which have been on deposit in
 11 such Account for at least 1 year, and

12 (B) parallel account, but only—

13 (i) from matching funds which have
 14 been on deposit in such parallel account
 15 for at least 1 year,

16 (ii) from earnings in such parallel ac-
 17 count, after all matching funds described
 18 in clause (i) have been withdrawn, and

19 (iii) to the extent such withdrawal
 20 does not result in a remaining balance in
 21 such parallel account which is less than the
 22 remaining balance in the Individual Devel-
 23 opment Account after such withdrawal.

24 (2) PROCEDURE.—Upon receipt of a with-
 25 drawal request which meets the requirements of

1 paragraph (1), the qualified financial institution
2 shall directly transfer the funds electronically to the
3 distributees described in section 503(6)(A)(ii). If a
4 distributee is not equipped to receive funds electroni-
5 cally, the qualified financial institution may issue
6 such funds by paper check to the distributee.

7 (b) WITHDRAWALS FOR NONQUALIFIED EX-
8 PENSES.—An Individual Development Account owner may
9 withdraw any amount of funds from the Individual Devel-
10 opment Account for purposes other than to pay qualified
11 expense distributions, but if, after such withdrawal, the
12 amount in the parallel account of such owner (excluding
13 earnings on matching funds) exceeds the amount remain-
14 ing in such Individual Development Account, then such
15 owner shall forfeit from the parallel account the lesser of
16 such excess or the amount withdrawn.

17 (c) WITHDRAWALS FROM ACCOUNTS OF NON-
18 ELIGIBLE INDIVIDUALS.—If the individual for whose ben-
19 efit an Individual Development Account is established
20 ceases to be an eligible individual, such account shall re-
21 main an Individual Development Account, but such indi-
22 vidual shall not be eligible for any further matching funds
23 under section 506(b)(1)(A) for contributions which are
24 made to the Account during any taxable year when such
25 individual is not an eligible individual.

1 (d) EFFECT OF PLEDGING ACCOUNT AS SECUR-
 2 RITY.—If, during any taxable year of the individual for
 3 whose benefit an Individual Development Account is es-
 4 tablished, that individual uses the Account, the individ-
 5 ual's parallel account, or any portion thereof as security
 6 for a loan, the portion so used shall be treated as a with-
 7 drawal of such portion from the Individual Development
 8 Account for purposes other than to pay qualified expenses.

9 **SEC. 508. CERTIFICATION AND TERMINATION OF QUALI-**
 10 **FIED INDIVIDUAL DEVELOPMENT ACCOUNT**
 11 **PROGRAMS.**

12 (a) CERTIFICATION PROCEDURES.—Upon estab-
 13 lishing a qualified individual development account pro-
 14 gram under section 504, a qualified financial institution
 15 shall certify to the Secretary at such time and in such
 16 manner as may be prescribed by the Secretary and accom-
 17 panied by any documentation required by the Secretary,
 18 that—

19 (1) the accounts described in subparagraphs
 20 (A) and (B) of section 504(b)(1) are operating pur-
 21 suant to all the provisions of this title, and

22 (2) the qualified financial institution agrees to
 23 implement an information system necessary to mon-
 24 itor the cost and outcomes of the qualified individual
 25 development account program.

1 (b) AUTHORITY TO TERMINATE QUALIFIED IDA
 2 PROGRAM.—If the Secretary determines that a qualified
 3 financial institution under this title is not operating a
 4 qualified individual development account program in ac-
 5 cordance with the requirements of this title (and has not
 6 implemented any corrective recommendations directed by
 7 the Secretary), the Secretary shall terminate such institu-
 8 tion’s authority to conduct the program. If the Secretary
 9 is unable to identify a qualified financial institution to as-
 10 sume the authority to conduct such program, then any
 11 funds in a parallel account established for the benefit of
 12 any individual under such program shall be deposited into
 13 the Individual Development Account of such individual as
 14 of the first day of such termination.

15 **SEC. 509. REPORTING, MONITORING, AND EVALUATION.**

16 (a) RESPONSIBILITIES OF QUALIFIED FINANCIAL IN-
 17 STITUTIONS.—Each qualified financial institution that op-
 18 erates a qualified individual development account program
 19 under section 504 shall report annually to the Secretary
 20 within 90 days after the end of each calendar year on—

21 (1) the number of individuals making contribu-
 22 tions into Individual Development Accounts and the
 23 amounts contributed,

24 (2) the amounts contributed into Individual De-
 25 velopment Accounts by eligible individuals and the

1 amounts deposited into parallel accounts for match-
 2 ing funds,

3 (3) the amounts withdrawn from Individual De-
 4 velopment Accounts and parallel accounts, and the
 5 purposes for which such amounts were withdrawn,

6 (4) the balances remaining in Individual Devel-
 7 opment Accounts and parallel accounts, and

8 (5) such other information needed to help the
 9 Secretary monitor the effectiveness of the qualified
 10 individual development account program (provided in
 11 a non-individually-identifiable manner).

12 (b) RESPONSIBILITIES OF THE SECRETARY.—

13 (1) MONITORING PROTOCOL.—Not later than
 14 12 months after the date of the enactment of this
 15 Act, the Secretary, in consultation with the Sec-
 16 retary of Health and Human Services, shall develop
 17 and implement a protocol and process to monitor the
 18 cost and outcomes of the qualified individual devel-
 19 opment account programs established under section
 20 504.

21 (2) ANNUAL REPORTS.—For each year after
 22 2007, the Secretary shall submit a progress report
 23 to Congress on the status of such qualified indi-
 24 vidual development account programs. Such report
 25 shall, to the extent data are available, include from

1 a representative sample of qualified individual devel-
2 opment account programs information on—

3 (A) the characteristics of participants, in-
4 cluding age, gender, race or ethnicity, marital
5 status, number of children, employment status,
6 and monthly income,

7 (B) deposits, withdrawals, balances, uses
8 of Individual Development Accounts, and par-
9 ticipant characteristics,

10 (C) the characteristics of qualified indi-
11 vidual development account programs, including
12 match rate, economic education requirements,
13 permissible uses of accounts, staffing of pro-
14 grams in full time employees, and the total
15 costs of programs, and

16 (D) process information on program imple-
17 mentation and administration, especially on
18 problems encountered and how problems were
19 solved.

20 (3) USE OF ACCOUNTS IN RURAL AREAS EN-
21 COURAGED.—The Secretary shall develop methods to
22 encourage the use of Individual Development Ac-
23 counts in rural areas.

1 **SEC. 510. AUTHORIZATION OF APPROPRIATIONS.**

2 (a) IN GENERAL.—There is authorized to be appro-
3 priated to the Secretary \$1,000,000 for fiscal year 2007
4 and for each fiscal year through 2014, for the purposes
5 of implementing this Act, including the reporting, moni-
6 toring, and evaluation required under section 9, to remain
7 available until expended.

8 (b) GRANTS.—There is authorized to be appropriated
9 to the Secretary \$20,000,000—

10 (1) to make grants to qualified nonprofit orga-
11 nizations and Indian tribes to help defray the ad-
12 ministrative costs associated with the operation of
13 individual development account programs, including
14 the required financial education courses, and

15 (2) to provide technical assistance to qualified
16 nonprofit organizations and Indian tribes in meeting
17 such program requirements.

18 **SEC. 511. MATCHING FUNDS FOR INDIVIDUAL DEVELOP-**
19 **MENT ACCOUNTS PROVIDED THROUGH A TAX**
20 **CREDIT FOR QUALIFIED FINANCIAL INSTITU-**
21 **TIONS.**

22 (a) IN GENERAL.—Subpart D of part IV of sub-
23 chapter A of chapter 1 (relating to business related cred-
24 its) is amended by adding at the end the following new
25 section:

1 **“SEC. 45N. INDIVIDUAL DEVELOPMENT ACCOUNT INVEST-**
 2 **MENT CREDIT.**

3 “(a) DETERMINATION OF AMOUNT.—For purposes of
 4 section 38, the individual development account investment
 5 credit determined under this section with respect to any
 6 eligible entity for any taxable year is an amount equal to
 7 the individual development account investment provided
 8 by such eligible entity during the taxable year under an
 9 individual development account program established under
 10 section 504 of the Savings for Working Families Act of
 11 2005.

12 “(b) APPLICABLE TAX.—For the purposes of this
 13 section, the term ‘applicable tax’ means the excess (if any)
 14 of—

15 “(1) the tax imposed under this chapter (other
 16 than the taxes imposed under the provisions de-
 17 scribed in subparagraphs (C) through (Q) of section
 18 26(b)(2)), over

19 “(2) the credits allowable under subpart B
 20 (other than this section) and subpart D of this part.

21 “(c) INDIVIDUAL DEVELOPMENT ACCOUNT INVEST-
 22 MENT.—For purposes of this section, the term ‘individual
 23 development account investment’ means, with respect to
 24 an individual development account program in any taxable
 25 year, an amount equal to the sum of—

1 “(1) the aggregate amount of dollar-for-dollar
 2 matches under such program under section
 3 506(b)(1)(A) of the Savings for Working Families
 4 Act of 2005 for such taxable year, plus

5 “(2) \$50 with respect to each Individual Devel-
 6 opment Account maintained—

7 “(A) as of the end of such taxable year,
 8 but only if such taxable year is within the 7-
 9 taxable-year period beginning with the taxable
 10 year in which such Account is opened, and

11 “(B) with a balance of not less than \$100
 12 (other than the taxable year in which such Ac-
 13 count is opened).

14 “(d) ELIGIBLE ENTITY.—For purposes of this sec-
 15 tion, except as provided in regulations, the term ‘eligible
 16 entity’ means a qualified financial institution.

17 “(e) OTHER DEFINITIONS.—For purposes of this
 18 section, any term used in this section and also in the Sav-
 19 ings for Working Families Act of 2005 shall have the
 20 meaning given such term by such Act.

21 “(f) DENIAL OF DOUBLE BENEFIT.—

22 “(1) IN GENERAL.—No deduction or credit
 23 (other than under this section) shall be allowed
 24 under this chapter with respect to any expense
 25 which—

1 “(A) is taken into account under sub-
2 section (c)(1)(A) in determining the credit
3 under this section, or

4 “(B) is attributable to the maintenance of
5 an Individual Development Account.

6 “(2) DETERMINATION OF AMOUNT.—Solely for
7 purposes of paragraph (1)(B), the amount attrib-
8 utable to the maintenance of an Individual Develop-
9 ment Account shall be deemed to be the dollar
10 amount of the credit allowed under subsection
11 (c)(1)(B) for each taxable year such Individual De-
12 velopment Account is maintained.

13 “(g) CREDIT MAY BE TRANSFERRED.—

14 “(1) IN GENERAL.—An eligible entity may
15 transfer any credit allowable to the eligible entity
16 under subsection (a) to any person other than to an-
17 other eligible entity which is exempt from tax under
18 this title. The determination as to whether a credit
19 is allowable shall be made without regard to the tax-
20 exempt status of the eligible entity.

21 “(2) CONSENT REQUIRED FOR REVOCATION.—
22 Any transfer under paragraph (1) may be revoked
23 only with the consent of the Secretary.

1 “(h) REGULATIONS.—The Secretary may prescribe
 2 such regulations as may be necessary or appropriate to
 3 carry out this section, including—

4 “(1) such regulations as necessary to insure
 5 that any credit described in subsection (g)(1) is
 6 claimed once and not retransferred by a transferee,
 7 and

8 “(2) regulations providing for a recapture of
 9 the credit allowed under this section (notwith-
 10 standing any termination date described in sub-
 11 section (i)) in cases where there is a forfeiture under
 12 section 507(b) of the Savings for Working Families
 13 Act of 2005 in a subsequent taxable year of any
 14 amount which was taken into account in determining
 15 the amount of such credit.

16 “(i) APPLICATION OF SECTION.—

17 “(1) IN GENERAL.—This section shall apply to
 18 any expenditure made in any taxable year ending
 19 after December 31, 2006, and beginning on or be-
 20 fore January 1, 2014, with respect to any Individual
 21 Development Account which—

22 “(A) is opened before January 1, 2012,
 23 and

24 “(B) as determined by the Secretary, when
 25 added to all of the previously opened Individual

1 Development Accounts, does not exceed
2 900,000 Accounts.

3 Notwithstanding the preceding sentence, this section
4 shall apply to amounts which are described in sub-
5 section (c)(1) and which are timely deposited into a
6 parallel account during the 30-day period following
7 the end of last taxable year beginning before Janu-
8 ary 1, 2014.

9 “(2) DETERMINATION OF LIMITATION.—The
10 limitation on the number of Individual Development
11 Accounts under paragraph (1)(B) shall be allocated
12 by the Secretary among eligible individuals as such
13 individuals open such Accounts under qualified indi-
14 vidual development account programs, except that,
15 in the case of 300,000 Accounts, such limitation
16 shall be equally allocated among the States.”.

17 (b) CREDIT TREATED AS BUSINESS CREDIT.—Sec-
18 tion 38(b) (relating to current year business credit) is
19 amended by striking “plus” at the end of paragraph (25),
20 by striking the period at the end of paragraph (26) and
21 inserting “, plus”, and by adding at the end the following
22 new paragraph:

23 “(27) the individual development account in-
24 vestment credit determined under section 45N(a).”.

1 (c) CONFORMING AMENDMENT.—The table of sec-
 2 tions for subpart C of part IV of subchapter A of chapter
 3 1 is amended by adding at the end the following new item:

“Sec. 45N. Individual development account investment credit.”.

4 (d) REPORT REGARDING ACCOUNT MAINTENANCE
 5 FEES.—The Secretary of the Treasury shall study the
 6 adequacy of the amount specified in section 45N(c)(2) of
 7 the Internal Revenue Code of 1986 (as added by this sec-
 8 tion). Not later than December 31, 2010, the Secretary
 9 of the Treasury shall report the findings of the study de-
 10 scribed in the preceding sentence to Congress.

11 (e) EFFECTIVE DATE.—The amendments made by
 12 this section shall apply to taxable years ending after De-
 13 cember 31, 2006.

14 **SEC. 512. ACCOUNT FUNDS DISREGARDED FOR PURPOSES**
 15 **OF CERTAIN MEANS-TESTED FEDERAL PRO-**
 16 **GRAMS.**

17 Notwithstanding any other provision of Federal law
 18 (other than the Internal Revenue Code of 1986) that re-
 19 quires consideration of 1 or more financial circumstances
 20 of an individual, for the purpose of determining eligibility
 21 to receive, or the amount of, any assistance or benefit au-
 22 thorized by such provision to be provided to or for the
 23 benefit of such individual, any amount (including earnings
 24 thereon) in any Individual Development Account of such
 25 individual and any matching deposit made on behalf of

1 such individual (including earnings thereon) in any par-
 2 allel account shall be disregarded for such purpose with
 3 respect to any period during which such individual main-
 4 tains or makes contributions into such Individual Develop-
 5 ment Account.

6 **TITLE VI—MANAGEMENT OF** 7 **EXEMPT ORGANIZATIONS**

8 **SEC. 601. AUTHORIZATION OF APPROPRIATIONS.**

9 (a) IN GENERAL.—There is authorized to be appro-
 10 priated to the Secretary of the Treasury \$80,000,000 for
 11 each fiscal year to carry out the administration of exempt
 12 organizations by the Internal Revenue Service.

13 (b) IMPLEMENTATION OF SECTION 527.—There is
 14 authorized to be appropriated to the Secretary of the
 15 Treasury \$3,000,000 to carry out the provisions of Public
 16 Laws 106–230 and 107–276 relating to section 527 of the
 17 Internal Revenue Code of 1986.

18 **TITLE VII—COMPASSION** 19 **CAPITAL FUND**

20 **SEC. 701. SUPPORT FOR NONPROFIT COMMUNITY-BASED** 21 **ORGANIZATIONS; DEPARTMENT OF HEALTH** 22 **AND HUMAN SERVICES.**

23 (a) SUPPORT FOR NONGOVERNMENTAL ORGANIZA-
 24 TIONS.—The Secretary of Health and Human Services
 25 (referred to in this section as “the Secretary”) may award

1 grants to and enter into cooperative agreements with non-
2 governmental organizations, to—

3 (1) provide technical assistance for community-
4 based organizations, which may include—

5 (A) grant writing and grant management
6 assistance, which may include assistance pro-
7 vided through workshops and other guidance;

8 (B) legal assistance with incorporation;

9 (C) legal assistance to obtain tax-exempt
10 status; and

11 (D) information on, and referrals to, other
12 nongovernmental organizations that provide ex-
13 pertise in accounting, on legal issues, on tax
14 issues, in program development, and on a vari-
15 ety of other organizational topics;

16 (2) provide information and assistance for com-
17 munity-based organizations on capacity building;

18 (3) provide for community-based organizations
19 information on and assistance in identifying and
20 using best practices for delivering assistance to per-
21 sons, families, and communities in need;

22 (4) provide information on and assistance in
23 utilizing regional intermediary organizations to in-
24 crease and strengthen the capabilities of nonprofit
25 community-based organizations;

1 (5) assist community-based organizations in
2 replicating social service programs of demonstrated
3 effectiveness; and

4 (6) encourage research on the best practices of
5 social service organizations.

6 (b) SUPPORT FOR STATES.—The Secretary—

7 (1) may award grants to and enter into cooper-
8 ative agreements with States and political subdivi-
9 sions of States to provide seed money to establish
10 State and local offices of faith-based and community
11 initiatives; and

12 (2) shall provide technical assistance to States
13 and political subdivisions of States in administering
14 the provisions of this Act.

15 (c) APPLICATIONS.—To be eligible to receive a grant
16 or enter into a cooperative agreement under this section,
17 a nongovernmental organization, State, or political sub-
18 division shall submit an application to the Secretary at
19 such time, in such manner, and containing such informa-
20 tion as the Secretary may require.

21 (d) LIMITATION.—In order to widely disburse limited
22 resources, no community-based organization (other than
23 a direct recipient of a grant or cooperative agreement from
24 the Secretary) may receive more than 1 grant or coopera-
25 tive agreement under this section for the same purpose.

1 (e) AUTHORIZATION OF APPROPRIATIONS.—There
 2 are authorized to be appropriated to carry out this section
 3 \$85,000,000 for fiscal year 2006, and such sums as may
 4 be necessary for each of fiscal years 2007 through 2009.

5 (f) DEFINITION.—In this section, the term “commu-
 6 nity-based organization” means a nonprofit corporation or
 7 association that has—

8 (1) not more than 6 full-time equivalent em-
 9 ployees who are engaged in the provision of social
 10 services; or

11 (2) a current annual budget (current as of the
 12 date the entity seeks assistance under this section)
 13 for the provision of social services, compiled and
 14 adopted in good faith, of less than \$450,000.

15 **SEC. 702. SUPPORT FOR NONPROFIT COMMUNITY-BASED**
 16 **ORGANIZATIONS; CORPORATION FOR NA-**
 17 **TIONAL AND COMMUNITY SERVICE.**

18 (a) SUPPORT FOR NONGOVERNMENTAL ORGANIZA-
 19 TIONS.—The Corporation for National and Community
 20 Service (referred to in this section as “the Corporation”)
 21 may award grants to and enter into cooperative agree-
 22 ments with nongovernmental organizations and State
 23 Commissions on National and Community Service estab-
 24 lished under section 178 of the National and Community
 25 Service Act of 1990 (42 U.S.C. 12638), to—

1 (1) provide technical assistance for community-
2 based organizations, which may include—

3 (A) grant writing and grant management
4 assistance, which may include assistance pro-
5 vided through workshops and other guidance;

6 (B) legal assistance with incorporation;

7 (C) legal assistance to obtain tax-exempt
8 status; and

9 (D) information on, and referrals to, other
10 nongovernmental organizations that provide ex-
11 pertise in accounting, on legal issues, on tax
12 issues, in program development, and on a vari-
13 ety of other organizational topics;

14 (2) provide information and assistance for com-
15 munity-based organizations on capacity building;

16 (3) provide for community-based organizations
17 information on and assistance in identifying and
18 using best practices for delivering assistance to per-
19 sons, families, and communities in need;

20 (4) provide information on and assistance in
21 utilizing regional intermediary organizations to in-
22 crease and strengthen the capabilities of community-
23 based organizations;

1 (5) assist community-based organizations in
2 replicating social service programs of demonstrated
3 effectiveness; and

4 (6) encourage research on the best practices of
5 social service organizations.

6 (b) APPLICATIONS.—To be eligible to receive a grant
7 or enter into a cooperative agreement under this section,
8 a nongovernmental organization, State Commission,
9 State, or political subdivision shall submit an application
10 to the Corporation at such time, in such manner, and con-
11 taining such information as the Corporation may require.

12 (c) LIMITATION.—In order to widely disburse limited
13 resources, no community-based organization (other than
14 a direct recipient of a grant or cooperative agreement from
15 the Secretary) may receive more than 1 grant or coopera-
16 tive agreement under this section for the same purpose.

17 (d) AUTHORIZATION OF APPROPRIATIONS.—There
18 are authorized to be appropriated to carry out this section
19 \$15,000,000 for fiscal year 2006, and such sums as may
20 be necessary for each of fiscal years 2007 through 2009.

21 (e) DEFINITION.—In this section, the term “commu-
22 nity-based organization” means a nonprofit corporation or
23 association that has—

1 (1) not more than 6 full-time equivalent em-
 2 ployees who are engaged in the provision of social
 3 services; or

4 (2) a current annual budget (current as of the
 5 date the entity seeks assistance under this section)
 6 for the provision of social services, compiled and
 7 adopted in good faith, of less than \$450,000.

8 **SEC. 703. SUPPORT FOR NONPROFIT COMMUNITY-BASED**
 9 **ORGANIZATIONS; DEPARTMENT OF JUSTICE.**

10 (a) SUPPORT FOR NONGOVERNMENTAL ORGANIZA-
 11 TIONS.—The Attorney General may award grants to and
 12 enter into cooperative agreements with nongovernmental
 13 organizations, to—

14 (1) provide technical assistance for community-
 15 based organizations, which may include—

16 (A) grant writing and grant management
 17 assistance, which may include assistance pro-
 18 vided through workshops and other guidance;

19 (B) legal assistance with incorporation;

20 (C) legal assistance to obtain tax-exempt
 21 status; and

22 (D) information on, and referrals to, other
 23 nongovernmental organizations that provide ex-
 24 pertise in accounting, on legal issues, on tax

1 issues, in program development, and on a vari-
2 ety of other organizational topics;

3 (2) provide information and assistance for com-
4 munity-based organizations on capacity building;

5 (3) provide for community-based organizations
6 information on and assistance in identifying and
7 using best practices for delivering assistance to per-
8 sons, families, and communities in need;

9 (4) provide information on and assistance in
10 utilizing regional intermediary organizations to in-
11 crease and strengthen the capabilities of nonprofit
12 community-based organizations;

13 (5) assist community-based organizations in
14 replicating social service programs of demonstrated
15 effectiveness; and

16 (6) encourage research on the best practices of
17 social service organizations.

18 (b) APPLICATIONS.—To be eligible to receive a grant
19 or enter into a cooperative agreement under this section,
20 a nongovernmental organization, State, or political sub-
21 division shall submit an application to the Attorney Gen-
22 eral at such time, in such manner, and containing such
23 information as the Attorney General may require.

24 (c) LIMITATION.—In order to widely disburse limited
25 resources, no community-based organization (other than

1 a direct recipient of a grant or cooperative agreement from
 2 the Attorney General) may receive more than 1 grant or
 3 cooperative agreement under this section for the same pur-
 4 pose.

5 (d) AUTHORIZATION OF APPROPRIATIONS.—There
 6 are authorized to be appropriated to carry out this section
 7 \$35,000,000 for fiscal year 2006, and such sums as may
 8 be necessary for each of fiscal years 2007 through 2009.

9 (e) DEFINITION.—In this section, the term “commu-
 10 nity-based organization” means a nonprofit corporation or
 11 association that has—

12 (1) not more than 6 full-time equivalent em-
 13 ployees who are engaged in the provision of social
 14 services; or

15 (2) a current annual budget (current as of the
 16 date the entity seeks assistance under this section)
 17 for the provision of social services, compiled and
 18 adopted in good faith, of less than \$450,000.

19 **SEC. 704. SUPPORT FOR NONPROFIT COMMUNITY-BASED**
 20 **ORGANIZATIONS; DEPARTMENT OF HOUSING**
 21 **AND URBAN DEVELOPMENT.**

22 (a) SUPPORT FOR NONGOVERNMENTAL ORGANIZA-
 23 TIONS.—The Secretary of Housing and Urban Develop-
 24 ment (referred to in this section “the Secretary”) may

1 award grants to and enter into cooperative agreements
2 with nongovernmental organizations, to—

3 (1) provide technical assistance for community-
4 based organizations, which may include—

5 (A) grant writing and grant management
6 assistance, which may include assistance pro-
7 vided through workshops and other guidance;

8 (B) legal assistance with incorporation;

9 (C) legal assistance to obtain tax-exempt
10 status; and

11 (D) information on, and referrals to, other
12 nongovernmental organizations that provide ex-
13 pertise in accounting, on legal issues, on tax
14 issues, in program development, and on a vari-
15 ety of other organizational topics;

16 (2) provide information and assistance for com-
17 munity-based organizations on capacity building;

18 (3) provide for community-based organizations
19 information on and assistance in identifying and
20 using best practices for delivering assistance to per-
21 sons, families, and communities in need;

22 (4) provide information on and assistance in
23 utilizing regional intermediary organizations to in-
24 crease and strengthen the capabilities of community-
25 based organizations;

1 (5) assist community-based organizations in
2 replicating social service programs of demonstrated
3 effectiveness; and

4 (6) encourage research on the best practices of
5 social service organizations.

6 (b) APPLICATIONS.—To be eligible to receive a grant
7 or enter into a cooperative agreement under this section,
8 a nongovernmental organization, State, or political sub-
9 division shall submit an application to the Secretary at
10 such time, in such manner, and containing such informa-
11 tion as the Secretary may require.

12 (c) LIMITATION.—In order to widely disburse limited
13 resources, no community-based organization (other than
14 a direct recipient of a grant or cooperative agreement from
15 the Secretary) may receive more than 1 grant or coopera-
16 tive agreement under this section for the same purpose.

17 (d) AUTHORIZATION OF APPROPRIATIONS.—There
18 are authorized to be appropriated to carry out this section
19 \$15,000,000 for fiscal year 2006, and such sums as may
20 be necessary for each of fiscal years 2007 through 2009.

21 (e) DEFINITION.—In this section, the term “commu-
22 nity-based organization” means a nonprofit corporation or
23 association that has—

1 (1) not more than 6 full-time equivalent em-
 2 ployees who are engaged in the provision of social
 3 services; or

4 (2) a current annual budget (current as of the
 5 date the entity seeks assistance under this section)
 6 for the provision of social services, compiled and
 7 adopted in good faith, of less than \$450,000.

8 **SEC. 705. COORDINATION.**

9 The Secretary of Health and Human Services, the
 10 Corporation for National and Community Service, the At-
 11 torney General, and the Secretary of Housing and Urban
 12 Development shall coordinate their activities under this
 13 title to ensure—

14 (1) nonduplication of activities under this title;
 15 and

16 (2) an equitable distribution of resources under
 17 this title.

18 **TITLE VIII—MATERNITY GROUP**
 19 **HOMES**

20 **SEC. 801. MATERNITY GROUP HOMES.**

21 (a) CONTRACT FOR EVALUATION.—Part B of the
 22 Runaway and Homeless Youth Act (42 U.S.C. 5701 et
 23 seq.) is amended by adding at the end the following:

1 **“SEC. 323. CONTRACT FOR EVALUATION.**

2 “(a) IN GENERAL.—The Secretary shall enter into
3 a contract with a public or private entity for an evaluation
4 of the maternity group homes that are supported by grant
5 funds under this Act.

6 “(b) INFORMATION.—The evaluation described in
7 subsection (a) shall include the collection of information
8 about the relevant characteristics of individuals who ben-
9 efit from maternity group homes such as those that are
10 supported by grant funds under this Act and what services
11 provided by those maternity group homes are most bene-
12 ficial to such individuals.

13 “(c) REPORT.—Not later than 2 years after the date
14 on which the Secretary enters into a contract for an eval-
15 uation under subsection (a), and biennially thereafter, the
16 entity conducting the evaluation under this section shall
17 submit to Congress a report on the status, activities, and
18 accomplishments of maternity group homes that are sup-
19 ported by grant funds under this Act.”.

20 (b) AUTHORIZATION OF APPROPRIATIONS.—Section
21 388 of the Runaway and Homeless Youth Act (42 U.S.C.
22 5751) is amended—

23 (1) in subsection (a)(1)—

24 (A) by striking “There” and inserting the
25 following:

26 “(A) IN GENERAL.—There”;

1 (B) in subparagraph (A), as redesignated,
2 by inserting “and the purpose described in sub-
3 paragraph (B)” after “other than part E”; and

4 (C) by adding at the end the following:

5 “(B) MATERNITY GROUP HOMES.—There
6 is authorized to be appropriated, for maternity
7 group homes eligible for assistance under sec-
8 tion 322(a)(1)—

9 “(i) \$33,000,000 for fiscal year 2006;

10 and

11 “(ii) such sums as may be necessary
12 for fiscal year 2007.”; and

13 (2) in subsection (a)(2)(A), by striking “para-
14 graph (1)” and inserting “paragraph (1)(A)”.

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